COVER SHEET

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SEC Registration Number

GMA NETWORK, INC. AND SUBSIDIARIES

(Group's Full Name)

GMA Network Center, Timog Avenue corner EDSA, Quezon City

(Business Address: No. Street City/Town/Province)

Mr. Ronaldo P. Mastrili

(Contact Person)

982-7777

(Group Telephone Number)

0	6		3	0

Month *Day*
(Fiscal Year)

1	7	-	Q	

(Form Type)

Month *Day*
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2014**

2. SEC Identification Number **5213**

3. BIR Tax Identification No. **000-917-916-000V**

4. Exact name of issuer as specified in its charter **GMA Network, Inc.**

5. **Philippines**
   Province, country or other jurisdiction of incorporation

6. [ ] (SEC Use Only)
   Industry Classification Code

7. **GMA Network Center, Timog Avenue corner EDSA Quezon City** — **1103**
   Address of principal office — Postal Code

8. **(632) 982-7777**
   Issuer's telephone number, including area code

9. **Not applicable** ……………………………
   Former name or former address, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the SRC and Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding……………..
Common Stock	**3,361,047,000**
Preferred Stock	**7,499,507,184**

11. Are any or all of the securities listed on a Stock Exchange?

Yes [X] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

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Management Discussion and Analysis of Financial Condition and Results of Operations for the Six Months Ended June 30, 2014 and 2013

Six months into the year, GMA Network and its subsidiaries (GMA/the Company) registered consolidated revenues of ₱5,766 million, down 14% compared with the ₱6,725 million recorded during the same period a year ago. Election-related placements from the midterm elections in 2013, continued to play a factor in the Company's top line performance. Minus this non-recurring inflow from political advocacies and advertisements, consolidated revenues of the Company reflected a cutback of only 4% from recurring placements year-on-year. Other sources of revenues on the other hand grew by 12%, with the Company's international operations providing the impetus.

Income Data	**6M-2014** *(in millions PhP)*	6M-2013 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Revenues				
Television and radio airtime	**5,140.6**	6,167.9	(1,027.3)	-17%
Subscription	**528.1**	471.2	56.8	12%
Production and others	**96.8**	85.9	10.9	13%
	5,765.5	6,725.0	(959.5)	-14%
Total operating expenses	**4,907.4**	5,085.7	(178.3)	-4%
EBITDA	**1,565.9**	2,291.5	(725.6)	-32%
Net income	**582.5**	1,139.9	(557.5)	-49%
Attributable to Equity Holders of Parent Company	***579.6***	*1,135.1*	*(555.5)*	*-49%*
Noncontrolling Interest	***2.8***	*4.8*	*(2.0)*	*-41%*

Meanwhile, the Company continued to affirm its effectiveness in managing expenses as total operating costs for the first semester contracted by ₱178 million or 4% against last year. Lower production cost drove the reduction in this period's spending compared to last year.

First semester earnings before interest, taxes, depreciation and amortization (EBITDA) settled at ₱1,566 million lower than last year's ₱2,292 million by ₱726 million or 32% due to the considerable drop in revenues.

Net income attributable to equity holders of the Parent Company wrapped up the first half of this year at ₱580 million, 49% less than last year's strong bottom line of ₱1,135 million which was buoyed by the windfall from the 2013 elections.

Revenues

For the first half this year, consolidated revenues (comprised of airtime sales from television and radio, subscription revenues from international operations, and revenues from subsidiaries and other sources), amounted to ₱5,766 million, down 4% or ₱235 million compared with recurring sales a year ago. However, with the huge influx generated from political advocacies and advertisements in 1H 2013, the Company's top line dropped by 14% year-on-year.

Revenues	**6M-2014** *(in millions PhP)*	6M-2013 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Television and radio airtime	**5,140.6**	5,443.6	(302.9)	-6%
Subscription	**528.1**	471.2	56.8	12%
Production and others	**96.8**	85.9	10.9	13%
	5,765.5	6,000.7	(235.2)	-4%
Add: Non-recurring political advertisements	**-**	724.3	(724.3)	-100%
	5,765.5	6,725.0	(959.5)	-14%

Six months into the year, the Network is beset by the lukewarm performance of its primary source of income – airtime revenues. As competition in the industry continued to play a significant factor in ad placements compounded by some clients holding back or shifting their promotional spending from traditional advertising platforms to digital and social media, the Network's bid to hike revenues becomes even more challenging. Thus, at the close of the first half this 2014, combined airtime revenues reached ₱5,141 million, reflecting a shortfall of ₱303 million or 6% against last year. The resulting top line reduction was aggravated by the presence of some ₱724 million in election-related placements during the same period last year – inclusive of this non-recurring influx, sales from regular advertising dipped by ₱1,027 million or 17%.

On a per platform basis, Channel 7 being the flagship channel similarly registered the greatest drop in terms of absolute revenues, basically accounting for the combined reduction in airtime sales. Stripping last year's political placements, Ch-7 nevertheless stood shy vs. 1H 2013's results by 6%. Radio was in the same predicament, as revenues for the first semester sealed lower by 24%. Sans election-related placements, sales still fell short by 13% between comparable periods.

On the other hand, Regional TV (RTV) posted top line gains of 5% vs. recurring advertising sales in between periods and continued to slowly gain ground in terms of percentage contribution to the total revenue pie. However, since local political ad placements likewise heavily boosted last year's sales, the platform finished off with a 9% drop in absolute revenues. Among the airtime-generating platforms, only News TV-11 (GNTV) bucked the trend with revenues for the six months period surpassing last year's peg by 15% as political ads in 2013 for GNTV was minimal.

Further mitigating the aforementioned drop in airtime sales, the Network's international operations pitched in revenues to-date higher than last year last year by 12%. The growth in this area was boosted by the hike in subscriber count particularly in Canada by more than 30% vs. a year ago, aided by the depreciation of the peso by PhP2.98 (to USD1) or 7% between periods. In dollar terms, top line from this platform grew by 6% year-on-year. Lastly, revenues from other sources sealed the first semester up 13% from same period in 2013.

GMA sustained its leadership in viewership Urban Luzon and Mega Manila based on data from Nielsen TV Audience Measurement in the second quarter.

GMA led in Urban Luzon, which accounts for 77 percent of the total urban TV households in the country, with a 35.2 percent total day household audience share, up 2.5 points from ABS-CBN's 32.7 percent and up 23.9 points from TV5's 11.3 percent.

The Network also continued to score top ratings in its bailiwick Mega Manila, which represents 60 percent of the urban TV household population, with a 37 percent total day household audience share. ABS-CBN trailed behind GMA by 6.8 points with 30.2 percent while TV5 also trailed by 24.7 points with 12.3 percent.

Expenses

As revenues dropped in between periods, total operating expenses for the first semester likewise contracted, albeit by only 4% or ₱178.3 million – but nevertheless providing the much needed cushion to lessen the impact of the drought in the top line.

Production cost which comprised 54% of total operating costs drove the reduction in spending by ₱153 million or 5% compared to prior period. Cash direct cost in fact dipped by ₱207 million or 9% from a year ago, partly offset by the rise in non-cash expenses, in particular, program rights usage which climbed by 17% or ₱47 million.

Cash production cost retracted across major time blocks, led by the drop in the weekday primetime programming due to the absence of the highly-budgeted epic-serye *Indio.* Moreover, the temporary change in programming mix in January of this year, wherein three (3) daily in-house produced soaps were replaced by canned materials likewise influenced the decline in cash production cost. Lastly, the absence of election-related spending (*Eleksyon 2013* coverage) added to this year's lower cost of production. On the other hand, these reductions were partly negated by the hike seen in the weekend primetime block with several newly launched in-house produced shows (i.e. *Picture, Picture, Ismol Family* and *Marian*) costing more than counterpart programs last year. On the other hand, non-cash direct cost hiked by ₱53 million or 13% mainly from more canned movies/series shown between comparable periods coupled with higher costs.

Production Costs	**6M-2014** *(in millions PhP)*	6M-2013 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Talent fees	**1,323.5**	1,478.1	(154.6)	-10%
Rentals and outside services	**361.0**	408.1	(47.1)	-12%
Other program expenses	**489.6**	494.7	(5.1)	-1%
Sub-total - Cash Production Costs	**2,174.0**	2,380.8	(206.8)	-9%
Program rights amortization	**315.8**	269.2	46.6	17%
Depreciation and amortization	**150.2**	143.4	6.8	5%
Sub-total - Non-cash Production Costs	**466.0**	412.6	53.4	13%
Total production costs	**2,640.0**	2,793.5	(153.5)	-5%

Meanwhile, general and administrative expenses (GAEX) likewise ended a tad lower by ₱25 million or 1% versus 1H 2013 influenced mainly by the reduction in outside services, in particular advertising and promotions and facilities costs. Personnel cost also ended a hairline lower than same period last year due to lower mid-year bonus. These, on the other hand, were partly offset by the rise in depreciation and taxes and licenses.

General and Administrative Expenses	**6M-2014** *(in millions PhP)*	6M-2013 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Personnel costs	**1,070.1**	1,082.3	(12.2)	-1%
Outside services	**288.6**	329.1	(40.5)	-12%
Facilities costs	**231.0**	247.6	(16.7)	-7%
Taxes and licenses	**89.7**	72.3	17.4	24%
Others	**345.9**	346.4	(0.5)	-0.1%
Subtotal - Cash GAEX	**2,025.3**	2,077.6	(52.4)	-3%
Depreciation and amortization	**229.2**	198.3	30.9	16%
Amortization of software costs	**12.9**	16.3	(3.4)	-21%
Subtotal - Non-cash GAEX	**242.1**	214.6	27.5	13%
Total GAEX	**2,267.4**	2,292.3	(24.9)	-1%

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first half this year wrapped up at ₱1,566 million, ₱726 million or 32% lower vs. 2013's ₱2,292 million.

Net Income

After the first six months of 2014, bottom line attributable to parent company shareholders settled at ₱580 million, reflecting a 49% reduction from prior year's robust net income of ₱1,135 million driven by the non-recurring contribution from political advocacies and advertisements.

Balance Sheet Accounts

Total assets of ₱13,067 million ended about the same as year-end 2013. Cash and cash equivalents climbed to ₱2,042 million, ₱292 million or 17% over December 31 last year while program and other rights also grew to ₱1,285 million, 6% or by some ₱76 million more. These were equalized by the drop in trade receivables from ₱3,521 million as at end-December 2013 to ₱3,064 million at the close of the first half of 2014, down ₱457 million or 13% as an offshoot of lower sales coupled with pay-before broadcast (PBB) arrangements with some advertisers. As a result, trade days-sales-outstanding (DSO) retracted to 77 days at the end of the first semester, 31 days shorter versus year-end DSO of 108 days.

Meanwhile, total liabilities of ₱4,971 million outpaced December 31, 2013 balance by ₱712 million or 17% mainly arising from the nearly doubling of short-term notes payable from ₱1,107 million to ₱2,177 million. This was partly offset by the drop in trade payables and other current liabilities by ₱246 million or 14% to ₱1,535 million from ₱1,781 million and the reduction in income tax payable by 58% to ₱116 million attuned to the lower bottom line this period. Equity attributable to parent company shareholders tallied at ₱8,056 million as at end-June this year, lower by ₱732 million or 8% than the ₱ 8,788 million as of December 31, 2013, arising from the regular dividend payout this May partly offset by the net income contribution during the period.

Cash Flows	**6M-2014** *(in millions PhP)*	6M-2013 *(in millions PhP)*
Net cash provided by (used in) operating activities	**845.4**	1,476.1
Net cash used in investing activities	**(288.2)**	(352.5)
Net cash used in financing activities	**(239.3)**	(721.9)
Effect of exchange rate changes on cash and cash equivalents	**(25.6)**	0.7
Net decrease in cash and cash equivalents	**292.2**	402.3
Cash and cash equivalents at beginning of period	**1,749.6**	1,287.3
Cash and cash equivalents at end of period	**2,041.9**	1,689.6

Operating Activities

Net cash from operations registered at ₱845 million this year. This resulted from income before income tax of ₱849 million adjusted mainly by depreciation expense of ₱379 million, interest expense and financing charges of ₱17 million, amortization of software costs of ₱13 million and interest income of ₱8 million apart from the changes in working capital. The primary components of the changes in working capital include the ₱458 million drop in trade and other receivables and ₱247 million hike in trade payables and other current liabilities partly offset by the ₱159 million increase in prepaid expenses and other current assets.

Investing Activities

Net cash used in investing activities amounted to ₱288 million, coming primarily from the ₱298 million additions to property and equipment, ₱7 million worth of investment properties and the ₱3 million acquisition of software costs. These were netted by the ₱9 million proceeds from sale of property and equipment and ₱7 million and ₱4 million reduction in available-for-sale financial assets and other noncurrent assets, respectively.

Financing Activities

Net cash used in financing activities amounted to ₱239 million as a net result of ₱1,894 million availaments of loan and payments of cash dividends, matured loans and interest and financing charges payments totaling to ₱2,133 million.

Key Financial Performance Indicators

The key financial performance indicators that the Company monitors are the following:

Key Performance Indicators	**6M-2014** *(in millions PhP)*	6M-2013 *(in millions PhP)*	Inc/(Dec) *(in millions PhP)*	%
Revenues	**5,765.5**	6,725.0	(959.5)	-14%
Airtime revenues	**5,140.6**	6,167.9	(1,027.3)	-17%
Cash operating expenses	**4,199.3**	4,458.5	(259.2)	-6%
EBITDA	**1,565.9**	2,291.5	(725.6)	-32%
Net income attributable to Parent Company	**579.6**	1,135.1	(555.4)	-49%

* * * * * * * * * * * *

GMA NETWORK, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2014 Unaudited	December 31, 2013 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 8, 31 and 32)	**2,041,861,997**	1,749,631,196
Short-term investments (Notes 8, 31 and 32)	**-**	7,874,002
Trade and other receivables (Notes 9, 22, 31 and 32)	**3,064,077,292**	3,521,430,443
Program and other rights (Note 10)	**1,285,446,521**	1,209,229,281
Prepaid expenses and other current assets (Note 11)	**794,686,625**	635,093,804
Total Current Assets	**7,186,072,435**	7,123,258,726
Noncurrent Assets		
Available-for-sale financial assets (Notes 12, 31 and 32)	**128,775,548**	135,552,548
Investments and advances (Notes 13 and 22)	**140,073,938**	139,463,938
Property and equipment at cost (Note 14)	**3,509,130,919**	3,589,651,781
Land at revalued amounts (Note 15)	**1,805,250,051**	1,805,300,051
Investment properties (Note 16)	**66,425,895**	60,532,209
Deferred tax assets	**103,044,115**	88,150,862
Other noncurrent assets (Note 17)	**127,760,227**	142,026,836
Total Noncurrent Assets	**5,880,460,693**	5,960,678,225
	13,066,533,128	13,083,936,951
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term loans (Note 18)	**2,176,950,000**	1,106,875,000
Trade payables and other current liabilities (Notes 19, 23, 31 and 32)	**1,535,083,036**	1,781,441,508
Income tax payable	**115,716,213**	276,055,923
Current portion of obligation for program and other rights (Notes 20, 31 and 32)	**131,649,996**	141,096,456
Dividends payable (Notes 31 and 32)	**10,547,658**	8,868,629
Total Current Liabilities	**3,969,946,903**	3,314,337,516
Noncurrent Liabilities		
Pension liability	**670,826,520**	605,248,052
Other long-term employee benefits (Note 31)	**273,534,058**	264,368,057
Deferred tax liabilities	**36,809,046**	41,580,015
Noncurrent portion of obligation for programs and other rights (Notes 20, 31 and 32)	**19,954,824**	33,330,130
Total Noncurrent Liabilities	**1,001,124,448**	944,526,254
Total Liabilities	**4,971,071,351**	4,258,863,770

(Forward)

	June 30, 2014 Unaudited	December 31, 2013 Audited
Equity		
Capital stock (Note 22)	**4,864,692,000**	4,864,692,000
Additional paid-in capital (Note 22)	**1,659,035,196**	1,659,035,196
Revaluation increment in land - net of tax (Note 15)	**1,021,158,064**	1,021,158,064
Remeasurements gain on retirement plans	**(24,758,268)**	(24,953,087)
Unrealized gain on available-for-sale financial assets - net of tax	**3,078,187**	3,083,187
Retained earnings (Note 22)	**567,041,260**	1,299,681,650
Treasury stock (Notes 22 and 30)	**(28,483,171)**	(28,483,171)
Underlying shares of the acquired Philippine Deposit Receipts (Notes 22 and 30)	**(5,790,016)**	(5,790,016)
Total Equity Attributable to Parent Company	**8,055,973,252**	8,788,423,823
Equity Attributable toNoncontrolling Interest	**39,488,525**	36,649,358
Total Equity	**8,095,461,777**	8,825,073,181
	13,066,533,128	13,083,936,951

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

	For the Quarters Ended June 30		For the Six Months Ended June 30	
	2014	2013	**2014**	2013
NET REVENUES (Note 24)	**2,914,578,442**	3,483,701,423	**5,765,524,950**	6,725,022,451
PRODUCTION COSTS (Note 25)	**1,366,208,346**	1,422,922,493	**2,639,987,450**	2,793,462,855
GROSS PROFIT	**1,548,370,096**	2,060,778,930	**3,125,537,500**	3,931,559,596
GENERAL AND ADMINISTRATIVE EXPENSES (Note 26)	**1,178,219,988**	1,297,970,061	**2,267,405,176**	2,292,273,110
OTHER INCOME (EXPENSE)				
Interest income (Note 8)	**4,750,868**	5,383,688	**8,281,650**	8,222,897
Net foreign currency exchange loss (gain)	**(7,298,618)**	13,748,763	**(22,969,054)**	10,223,384
Interest expense and financing charges	**(10,516,812)**	(17,100,714)	**(16,638,741)**	(32,903,117)
Others - net (Note 28)	**13,301,304**	6,030,439	**22,656,454**	14,733,612
	236,742	8,062,176	**(8,669,691)**	276,776
INCOME BEFORE INCOME TAX	**370,386,850**	770,871,045	**849,462,633**	1,639,563,262
PROVISION FOR (BENEFIT FROM) INCOME TAX				
Current	**127,860,715**	246,207,739	**286,674,500**	521,858,295
Deferred	**(13,451,748)**	(10,660,254)	**(19,664,222)**	(22,243,621)
	114,408,967	235,547,485	**267,010,278**	499,614,674
NET INCOME	**255,977,883**	535,323,560	**582,452,355**	1,139,948,588
OTHER COMPREHENSIVE INCOME (LOSS) - net of tax				
Item to be reclassified to profit or loss in subsequent periods -				
Unrealized loss on available-for-sale financial assets	**-**	-	**(5,000)**	-
Item not to be reclassified to profit or loss in subsequent periods -				
Remeasurement gain (loss) on retirement plan	**-**	(1,591,286)	**194,819**	(653,141)
	-	(1,591,286)	**189,819**	(653,141)
TOTAL COMPREHENSIVE INCOME	**255,977,883**	533,732,274	**582,642,174**	**1,139,295,447**
Net income attributable to:				
Equity holders of Parent Company	**254,470,500**	532,560,413	**579,613,188**	1,135,133,583
Non-controlling interest	**1,507,383**	2,763,147	**2,839,167**	4,815,005
	255,977,883	535,323,560	**582,452,355**	1,139,948,588
Other comprehensive income (loss) attributable to:				
Equity Holders of Parent Company	**-**	(1,591,286)	**189,819**	(653,141)
Minority Interest	**-**	-	**-**	-
	-	(1,591,286)	**189,819**	(653,141)
Basic/Diluted Earnings Per Share (Note 30)	**0.052**	0.110	**0.119**	0.234

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of Parent Company										
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Revaluation Increment in Land - Net of Tax	Remeasurements on Retirement Plans - Net of Tax	Unrealized Gain on Available-for-sale Financial Assets - Net of Tax	Retained Earnings (Note 22)	Treasury Stock (Notes 22 and 30)	Underlying Shares of the Acquired Philippine Deposit Receipts (Notes 22 and 30)	Total Equity Attributable to Parent Company	Non-controlling Interest	Total Equity
At January 1, 2014	**4,864,692,000**	**1,659,035,196**	**1,021,158,064**	**(24,953,087)**	**3,083,187**	**1,299,681,650**	**(28,483,171)**	**(5,790,016)**	**8,788,423,823**	**36,649,358**	**8,825,073,181**
Net income	**-**	**-**	**-**	**-**	**-**	**579,613,188**	**-**	**-**	**579,613,188**	**2,839,167**	**582,452,355**
Other comprehensive income	**-**	**-**	**-**	**194,819**	**(5,000)**	**-**	**-**	**-**	**189,819**	**-**	**189,819**
Total comprehensive income	**-**	**-**	**-**	**194,819**	**(5,000)**	**579,613,188**	**-**	**-**	**579,803,007**	**2,839,167**	**582,642,174**
Cash dividendns	**-**	**-**	**-**	**-**	**-**	**(1,312,253,578)**	**-**	**-**	**(1,312,253,578)**	**-**	**(1,312,253,578)**
At June 30, 2014	**4,864,692,000**	**1,659,035,196**	**1,021,158,064**	**(24,758,268)**	**3,078,187**	**567,041,260**	**(28,483,171)**	**(5,790,016)**	**8,055,973,252**	**39,488,525**	**8,095,461,777**
At January 1, 2013	4,864,692,000	1,659,035,196	744,158,022	35,347,937	4,065,927	847,781,404	(28,483,171)	(5,790,016)	8,120,807,299	28,624,201	8,149,431,500
Net income	-	-	-	-	-	1,135,133,583	-	-	1,135,133,583	4,815,005	1,139,948,588
Other comprehensive income	-	-	-	(653,141)	-		-	-	(653,141)	-	(653,141)
Total comprehensive income	-	-	-	(653,141)	-	1,135,133,583	-	-	1,134,480,442	4,815,005	1,139,295,447
Cash dividends	-	-	-	-	-	(1,215,049,609)	-	-	(1,215,049,609)	-	(1,215,049,609)
At June 30, 2013	4,864,692,000	1,659,035,196	744,158,022	34,694,796	4,065,927	767,865,378	(28,483,171)	(5,790,016)	8,040,238,132	33,439,206	8,073,677,338

See accompanying Notes to Consolidated Financial Statements.

GMA NETWORK, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**849,462,633**	1,639,563,262
Adjustments for:		
Depreciation and amortization (Notes 14 and 16)	**379,370,301**	341,749,084
Interest expense and financing charges	**16,638,741**	32,903,117
Amortization of software costs (Note 17)	**12,948,110**	16,313,700
Gain on sale of property and equipment (Note 28)	**(9,011,482)**	(6,845,736)
Unrealized foreign exchange loss (gain)	**8,530,104**	(548,908)
Interest income (Note 8)	**(8,281,650)**	(8,222,897)
Operating income before working capital changes	**1,249,656,757**	2,014,911,622
Program rights usage (Note 10)	**315,785,412**	269,187,513
Decreases (increases) in:		
Short-term investments	**7,874,002**	8,538,142
Trade and other receivables	**458,145,968**	160,162,996
Program rights	**(392,002,652)**	(255,654,035)
Prepaid expenses and other current assets	**(159,592,821)**	26,791,618
Increases (decreases) in:		
Trade and other payables	**(247,101,503)**	(331,150,787)
Obligations for program rights	**(22,821,766)**	(66,810,289)
Pension liability	**65,773,287**	66,360,962
Other long-term employee benefits	**9,166,001**	8,187,666
Net cash generated from operations	**1,284,882,685**	1,900,525,408
Interest received	**7,488,833**	8,193,060
Income taxes paid	**(447,014,210)**	(432,654,840)
Net cash provided by operating activities	**845,357,308**	1,476,063,628
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 14)	**(297,698,295)**	(359,952,596)
Investment properties (Note 16)	**(7,400,465)**	-
Software costs (Note 17)	**(3,158,704)**	(7,623,404)
Proceeds from sale of property and equipment	**9,367,117**	8,492,372
Decrease (increase):		
Available-for-sale financial assets	**6,772,000**	-
Other noncurrent assets	**4,477,203**	6,546,648
Investments and advances	**(610,000)**	-
Land	**50,000**	-
Net cash used in investing activities	**(288,201,144)**	(352,536,980)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availments of notes payable	**1,893,750,000**	1,025,000,000
Payments:		
Cash dividends (Note 22)	**(1,310,574,549)**	(1,214,445,821)
Short-term loans (Note 18)	**(806,600,000)**	(500,000,000)
Interest and financing charges on short-term loans	**(15,895,710)**	(32,469,795)
Net cash used in financing activities	**(239,320,259)**	(721,915,616)
EFFECT OF EXCHANGE RATE CHANGES ON CASH ON HAND AND CASH EQUIVALENTS	**(25,605,104)**	668,571
NET DECREASE IN CASH AND CASH EQUIVALENTS	**292,230,801**	402,279,603
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,749,631,196**	1,287,285,560
CASH AND CASH EQUIVALENTS OF PERIOD	**2,041,861,997**	1,689,565,163

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

GMA Network, Inc. (the Parent Company) and its subsidiaries (collectively referred to as "the Group") are incorporated in the Philippines. The Group is primarily involved in the business of radio and television broadcasting. The Group is also involved in film production and other information and entertainment-related businesses. The registered office address of the Parent Company is GMA Network Center, Timog Avenue corner EDSA, Quezon City. The Parent Company was registered with the Securities and Exchange Commission (SEC) on June 14, 1950.

The Parent Company's shares of stock are publicly listed and traded in the Philippine Stock Exchange.

On July 20, 1995, the Board of Directors (BOD) approved the extension of the corporate term of the Parent Company for another 50 years from June 14, 2000. In 1997, the SEC approved the said extension.

2. Basis of Preparation

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and land used in operations, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Changes in Accounting Policies and Disclosures

The Philippine Accounting Standard (PAS) 19, *Employee Benefits* (Revised), becomes effective for annual periods beginning on or after January 1, 2013 but was early adopted by the Group on January 1, 2012. The Group applied the changes in accounting policies retrospectively, restated its balances from the earliest period presented and disclosed the impact of the adoption on the balances in the Group's December 31, 2012 consolidated financial statements.

The Group applied, for the first time, PFRS 10, *Consolidated Financial Statements*, that requires restatement of previous consolidated financial statements. Several other new and amended standards and interpretations were applied for the first time in 2013. The nature and impact of each new and amended standards and interpretations are described below.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments), the amendment requires an entity to disclose information about rights of offset and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are offset in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are offset in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are offset in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;

d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and

e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The Group does not have significant offsetting arrangement, thus, the adoption of this amendment does not have impact on the consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements*, replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by the Parent Company, compared with the requirements in PAS 27.

  The application of PFRS 10 affected the accounting for the Group's interest in RGMA Network, Inc. (RGMA). For all financial years up to December 31, 2012, RGMA was considered to be an associate under the previously existing PAS 28, *Investments in Associates*, and was accounted for using the cost method in the Parent Company financial statements and the equity method in the consolidated financial statements. At the date of initial application of PFRS 10, the Group assessed that it controls RGMA based on the factors explained in Note 2, *Basis of Consolidation*.

  The Group consolidated the financial statements of RGMA based on its 49% equity interest and accounted for the balance of 51% as non-controlling interests. The assets, liabilities and equity of RGMA have been retrospectively consolidated in the financial statements of the Group. Non-controlling interests have been recognized at a proportionate share of the net assets of the subsidiary. The balances as at June 30, 2013 and comparative information for year ended December 31, 2012 have been restated in the consolidated financial statements.

- PFRS 11, *Joint Arrangements*, replaces PAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly-controlled Entities (JCEs) - Nonmonetary Contributions by Venturers.* PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The Group's interests in joint ventures are accounted for using the equity method based on the percentage share of capitalization of the Group in accordance with the joint venture agreements.

- PFRS 12*, Disclosure of Interests in Other Entities,* sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group's non-controlling interest is immaterial and there are no unconsolidated structured entities. PFRS 12 disclosures are provided in Note 13.

- PFRS 13, *Fair Value Measurement*, establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price.

  As a result of the guidance in PFRS 13, the Group reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 3.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (Amendments), becomes effective for annual periods beginning on or after July 1, 2012. The amendment to PAS 1 changed grouping of items presented in Other Comprehensive Income (OCI). Items that may be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment was applied retrospectively and resulted to modification of the presentation of OCI.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. This standard affects the disclosures of the consolidated financial statements.

The following new and amended PFRS, PAS and Philippine Interpretations are not applicable to the Group. Thus, adoption of these standards has no impact on the consolidated financial statements:

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans (Amendments*). The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine.* This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part.

The *Annual Improvements to PFRS (2009-2011 Cycle)* contain non-urgent but necessary amendments to PFRS. The Group does not expect these amendments to have significant impact on its consolidated financial statements.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*. The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirement for Comparative Information*. The amendment clarifies the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment.* The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise.

- PAS 32, *Financial Instruments - Tax Effect of Distribution to Holders of Equity Instruments.* The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities.* The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment.

Future Changes in Accounting Policies

The Group will adopt the following new standard, interpretation, amendments and improvements to existing standards when these become effective. Except as otherwise indicated, the Group does not expect these changes to have a significant impact on its consolidated financial statements.

Effective in 2014

- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27).* The amendment becomes effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss.

- Philippine Interpretation IFRIC 21, *Levies*. This interpretation becomes effective for annual periods beginning on or after January 1, 2014. This clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments). The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments clarify the meaning of "currently has a legally enforceable right to offset" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments). The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment loss has been recognized or reversed during the period.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments). The amendments become effective for annual periods beginning on or after January 1, 2014. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments). The amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

Annual Improvements to PFRS (2010-2012 Cycle). The Annual Improvements to PFRS (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition.* The amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination.* The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9, *Financial Instruments* (or PAS 39, if PFRS 9 is not yet adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets.* These amendments are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. The amendments only affect the Group's financial statements disclosures.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables.* The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendments only affect the Group's financial statements disclosures.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation,* becomes effective for annual periods beginning on or after July 1, 2014 after the date of initial application of this amendment and in the immediately preceding annual period. The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel,* becomes effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization,* becomes effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

Annual Improvements to PFRS (2011-2013 Cycle). The Annual Improvements to PFRS (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRS'.* The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangement*. The amendment becomes effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception,* becomes effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

- PAS 40, *Investment Property*, becomes effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

Standard with No Mandatory Effectivity

- PFRS 9, *Financial Instruments*, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Interpretation with Deferred Effective Date

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate.* This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, which are all incorporated in the Philippines, as at June 30, 2014 and December 31, 2013:

	Principal Activities	Percentage of Ownership	
		Direct	Indirect
Entertainment Business:			
Alta Productions Group, Inc.	Pre- and post-production services	100	–
Citynet Network Marketing and Productions, Inc.	Television entertainment production	100	–
GMA Network Films, Inc.	Film production	100	–
GMA New Media, Inc. (GNMI)	Converging Technology	100	–
GMA Worldwide (Philippines), Inc.	International marketing, handling foreign program acquisitions and international syndication of the Parent Company's programs	100	–
RGMA Marketing and Productions, Inc.	Music recording, publishing and video distribution	100	–
RGMA	Radio broadcasting and management	49	–
Scenarios, Inc.*	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation services	100	–
Script2010, Inc.**	Design, construction and maintenance of sets for TV, stage plays and concerts; transportation and manpower services	–	100
Advertising Business:			
GMA Marketing & Productions, Inc. (GMPI)	Exclusive marketing and sales arm of GMA's airtime; events management; sales implementation, traffic services and monitoring	100	–
Digify, Inc. (Digify)***	Crafting, planning and handling advertising and other forms of promotion including multi-media productions	–	100
Others:			
Media Merge Corporation***	Business development and operations for the Parent Company's online publishing/advertising initiatives	–	100
Ninja Graphics, Inc.****	Ceased commercial operations in 2004	–	51

**Under liquidation*
***Indirectly owned through Citynet*
****Indirectly owned through GNMI*
*****Indirectly owned through Alta; ceased commercial operations in 2004*

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (that is, existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All significant intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full on consolidation. Unrealized gains and losses are likewise eliminated.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the consolidated statement of income and within the equity section of the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. This includes the equity interest in RGMA Network.

The Group does not have subsidiaries that have non-controlling interests that are material to the Group.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets and liabilities.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

<u>Additional Investments in Joint Venture (see Note 13)</u>
On November 15, 2013, the Group, through GNMI, converted its cash advance to Philippine Entertainment Portal (PEP), a joint venture, amounting to ₱12.00 million into additional shares of stock in PEP.

In March 2012, the Group through GNMI, invested ₱10.00 million for its joint venture with Manila Jockey Club (MJC), Inc. called "Gamespan, Inc." (Gamespan). Gamespan has not yet started commercial operations as at June 30, 2013.

3. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle or within twelve (12) months after the statement of financial position date, when it is held primarily for the purpose of trading, or cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the statement of financial position date. All other assets are classified as noncurrent.

A liability is current when it is expected to be settled in normal operating cycle or due to be settled within twelve (12) months after the statement of financial position date, when it is held primarily for trading, or when there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the statement of financial position date. All other liabilities are classified as noncurrent.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from acquisition date and that are subject to an insignificant risk of change in value.

Financial Assets

Initial Recognition and Measurement. Financial assets are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition and where appropriate, re-evaluates such designation at every reporting period.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at FVPL.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to suppliers), refundable deposits (included under "Other noncurrent assets" account in the consolidated statements of financial positions) and AFS financial assets.

As at June 30, 2014 and December 31, 2013, the Group does not have any financial asset at FVPL, HTM investments or derivatives designated as hedging instruments.

"Day 1 Difference". Where the transaction price is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value of the financial instruments (a "Day 1 Difference") in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data which is not observable is used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as described below:

- Loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortization is included in interest income in profit or loss. The losses arising from impairment are recognized under "General and administrative expenses" account in the statements of comprehensive income.

- AFS financial assets. AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as neither held for trading nor designated at FVPL.

  After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the "Unrealized gain (loss) on AFS financial assets" account until the investment is derecognized, at which time the cumulative gain or loss is recognized in other income, or the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the "Unrealized gain (loss) on AFS financial assets" account to profit or loss under other expense.

  AFS equity investments whose fair value cannot be reliably measured are measured at cost less any impairment. If a reliable measure of fair value subsequently becomes available, the asset is remeasured at that fair value, and the gain or loss recognized in other comprehensive income (provided it is not impaired). If a reliable measure ceases to be available, the AFS equity investment is thereafter measured at cost, which is deemed to be the fair value on that date. Any gain or loss previously recognized in other comprehensive income shall remain in equity until the asset has been sold, otherwise disposed of or impaired, at which time it is reclassified to profit or loss.

  The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derecognition of Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or

- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets. The Group assesses, at each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

- Financial assets carried at amortized cost. For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

  The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The accrued interest is shown under interest income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to interest expense in profit or loss.

- AFS financial assets. For AFS financial assets, the Group assesses at each reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

<u>Financial Liabilities</u>

Initial Recognition and Measurement. Financial liabilities are classified as financial liabilities at FVPL and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade payables and other current liabilities (excluding payable to government agencies and customers' deposits), short-term loans, current and noncurrent obligations for program and other rights, dividends payable and other long-term employee benefits.

As at June 30, 2014 and December 31, 2013, the Group does not have financial liabilities at FVPL.

Subsequent Measurement. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortization is included as interest expense in profit or loss.

Derecognition of Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented at gross in the consolidated statements of financial position.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 **-** Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

<u>Program and Other Rights</u>
Program and other rights with finite and infinite lives are stated at amortized cost less any impairment in value. The cost of programs and other rights with finite lives is amortized based on the manner and pattern of usage of the acquired rights and are fully amortized on the date of expiry. The cost of program and other rights with infinite lives is amortized on accelerated method based on the sum of the year's digit of ten (10) years with salvage value of 10% of the total cost. Amortization expense is shown as "Program and other rights usage".

For series of rights acquired, the cost is charged to income as each series is aired on a per episode basis.

For rights intended for airing over the international channels, the cost is amortized on a straight-line basis over the number of years indicated in the contract.

Program and other rights are classified as current assets because the Group expects to air any given title at any time within its normal operating cycle.

<u>Prepaid Production Costs</u>
Prepaid production costs, included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position, represent costs paid in advance prior to the airing of the programs or episodes. These costs include talent fees of artists and production staff and other costs directly attributable to production of programs. These are charged to expense upon airing of the related program or episodes. Costs related to previously taped episodes determined not to be aired are charged to expense.

<u>Materials and Supplies Inventory</u>
Materials and supplies inventory, included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position, is stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost.

<u>Tax Credits</u>
Tax credits represent claims from the government arising from airing of government commercials and advertisements availed under Presidential Decree (PD) No. 1362. Pursuant to PD No. 1362, these will be collected in the form of tax credits which the Group can use in paying for import duties and taxes on imported broadcasting related equipment. The tax credits cannot be used to pay for any other tax obligation to the government.

As at June 30, 2014 and December 31, 2013, the Group's tax credits are classified as current.

<u>Asset Classified as Held for Sale</u>
Asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Investments and Advances

Investment in an Associate. This account consists of investments in and permanent advances to an associate.

The Group's investment in its associate are accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statements of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statements of comprehensive income reflect the share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share in profit (loss) of the associate is shown on the face of the consolidated statements of comprehensive income as "Equity in net earnings (losses) of associates and joint ventures", which is the profit (loss) attributable to equity holders of the associates.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in associate. The Group determines at each reporting period whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the "Others - net" account in the consolidated statements of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interests in Joint Ventures. This account consists of interests in and permanent advances to joint ventures.

The Group has interests in joint ventures. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangements. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group recognizes its interests in the joint ventures using the equity method. The financial statements of the joint ventures are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, transactions and unrealized gains and losses on such transactions between the Group and its joint ventures. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The Group ceases to use the equity method of accounting on the date from which it no longer has joint control over, or significantly influence in the joint ventures or when the interests become held for sale.

Upon loss of joint control, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization and impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is measured at fair value less accumulated impairment losses, if any, recognized after the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recorded in other comprehensive income and hence, credited to the "Revaluation increment in land" account under equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case, the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the "Revaluation increment in land" account.

Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives of the assets:

Buildings, towers and improvements	11-20 years
Antenna and transmitter systems and broadcast equipment	5-10 years
Communication and mechanical equipment	3-5 years
Transportation equipment	5 years
Furniture, fixtures and equipment	5 years

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

Investment Properties

Investment properties consist of real estate held for capital appreciation and rental.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are measured at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

Depreciation and amortization are computed using the straight-line method over 11-20 years.

The remaining useful lives and depreciation and amortization method are reviewed and adjusted, if appropriate, at each financial year-end.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in Artworks

Investment in artworks, included under “Other noncurrent assets” account in the consolidated statements of financial position, is stated at cost less any impairment in value.

Software Costs

Costs incurred in the acquisition and customization of new software, included under “Other noncurrent assets” account in the consolidated statements of financial position, are capitalized and amortized on a straight-line basis over three to five years.

Impairment of Nonfinancial Assets

The carrying values of program and other rights, prepaid production costs, tax credits, investments and advances, property and equipment, investment properties and software costs are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets are considered impaired and are written down to their recoverable amount. The recoverable amount of these nonfinancial assets is the greater of an asset’s or cash-generating unit’s fair value less cost to sell or value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss, except for land at revalued amount where the revaluation is taken to other comprehensive income, is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization charges are adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. For land at revalued amounts, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

In the case of investments in associates and interests in joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group’s investments in associates and interests in joint ventures. The Group determines at each reporting period whether there is any objective evidence that the investments in associates and interests in joint ventures are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of investments in associates and the acquisition cost and recognizes the amount in the consolidated statements of comprehensive income.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Treasury Stock and Underlying Shares of Acquired Philippine Deposit Receipts (PDRs)

The Parent Company’s own reacquired equity instruments are deducted from equity. No gain or loss is recognized in the consolidated statements of comprehensive income on the purchase, sale, issuance or cancellation of the Group’s own equity instruments.

Dividends on Common Shares of the Parent Company

Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after reporting period are dealt with as an event after reporting period.

Revenues

Revenues are recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured, regardless of when the payment is being made. Revenues are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Airtime Revenue. Revenue is recognized as income in the period the advertisements are aired. Such revenues are net of co-producers' share. The fair values of capitalizable exchange deals are included in airtime revenue and the related accounts. These transactions represent advertising time exchanged for program materials, merchandise or service.

Payments received before broadcast (pay before broadcast) are recognized as income on the dates the advertisements are aired. Prior to liquidation, these are net out against outstanding accounts receivable since a right of offset exists between the pay before broadcast balance and the regular accounts receivable with credit terms. These are reclassified to deferred liability under "Customers deposits" account when no right of offset exists.

Goods received in exchange for airtime usage pursuant to ex-deal contracts executed between the Group and its customers are recorded at fair market values of assets received. Fair market value is the current market price.

Tax credits on aggregate airtime credits from government sales availed of under PD No. 1362 are recognized as income upon actual airing of government commercials and advertisements and when there is reasonable certainty that these can be used to pay duties and taxes on imported broadcasting related equipment.

Subscription Income. Revenue is recognized on an accrual basis in accordance with the terms of subscription agreements.

Commission. Revenue is recognized as income on an accrual basis in accordance with the terms of the related marketing agreements.

Production and Others. Production revenue is recognized when project-related services are rendered. Others pertain to revenue from sponsorship and licensing income. Revenue from sponsorship and licensing is recognized on an accrual basis in accordance with the terms of the agreement.

Rental Income. Revenue from lease of property and equipment is accounted for on a straight-line basis over the lease term.

Dividend Income. Revenue is recognized when the Group's right to receive payment is established.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield on the asset.

Co-producers' Share

Co-producers' share is deducted from revenues in profit or loss in the period the advertisements are aired.

Share of co-producers on revenues of specific programs are covered by duly authorized contracts entered into between the Group and the co-producers. The co-producers normally undertake the production of such program in return for a stipulated percentage of revenue.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Expenses

Expenses presented as "Production costs" and "General and administrative expenses" in the consolidated statements of comprehensive income are recognized as incurred.

Pension and Other Employee Benefits

The Parent Company and one of its subsidiaries have funded, noncontributory defined benefit retirement plans covering permanent employees. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method.

Defined Benefit Plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit obligation or asset
- Remeasurements of net defined benefit obligation or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as part of production costs and general and administrative expenses in the consolidated statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit obligation or asset is the change during the period in the net defined benefit obligation or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit obligation or asset is recognized under “Other expense or income” in the consolidated statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefits. Termination benefits are employee benefits provided in exchange for the termination of an employee’s employment as a result of either an entity’s decision to terminate an employee’s employment before the normal retirement date or an employee’s decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlements. Employee entitlements to annual leave are recognized as a liability when they accrue to the employees. The liability relating to employee leave entitlement is recognized for services rendered equivalent to the maximum credit leaves earned by the employee, which is expected to be settled upon the employee’s resignation or retirement. The present value of the noncurrent portion of the liability is determined by applying the discount rate based on government bonds.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as Lessee. Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income from operating leases are recognized as income in the consolidated statements of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Foreign Currency-denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing exchange rate at financial reporting period. All differences are taken to profit or loss in the consolidated statements of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

Taxes

Current Income Tax. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Deferred Income Tax. Deferred income tax is provided using the liability method on temporary differences at reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting period.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and unused NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws to be enacted or substantially enacted at the reporting period.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Income tax relating to other comprehensive income is recognized in other comprehensive income section of the consolidated statements of comprehensive income.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade payables and other current liabilities" accounts in the consolidated statements of financial position.

<u>Earnings Per Share</u>
Basic EPS is computed by dividing the net income, net of income attributable to preferred shares, by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

Diluted EPS is calculated by dividing the net income (inclusive of income attributable to preferred shares) by the weighted average number of common shares outstanding during the year, plus the weighted average number of common shares that would be issued upon conversion of all dilutive potential common shares.

<u>Segment Reporting</u>
For management purposes, the Group's operating businesses are organized and managed separately into three business activities (see Note 5). Such business segments are the basis upon which the Group reports its primary segment information. The Group considers television and radio operations as the major business segment. The Group operates in two geographical areas where it derives its revenue.

<u>Provisions</u>
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

<u>Events after Reporting Period</u>
Post year-end events that provide additional information about the Group's position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Functional Currency. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. The Philippine peso is also the functional currency of all the subsidiaries. It is the currency of the primary economic environment in which the Group operates.

Asset Classified as Held for Sale. In January 2011, the Group, through GNMI's BOD, announced its decision to dispose of its shareholdings in X-Play Online Games Incorporated (X-Play), a joint venture. The Group assessed that the interest in X-Play met the criteria to be classified as held for sale at that date for the following reasons:

- X-Play is available for immediate sale and can be sold to a potential buyer in its current condition.
- GNMI's BOD had entered into preliminary negotiations with a potential buyer.
- IP E-Games Ventures, Inc. (IPE) and GNMI subsequently executed an option agreement whereby GNMI was granted an option to sell its shareholdings in X-Play to IPE, which can be exercised within a period of one (1) year from execution date on October 19, 2011.

On March 19, 2013, GNMI and IPE extended until June 30, 2013 the exercise period of the option agreement.

As at June 30, 2014, the sale of investment in X-Play has not materialized. The Group reassessed the classification of investment in X-Play and reclassified it under "Other Noncurrent Assets" account in the Group's statement of financial position (see Note 17).

Consolidation of entities in which the Group holds less than majority of voting rights. The Group considers that it controls RGMA even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of RGMA with a 49% equity interest. The remaining 51% of the equity shares in RGMA are owned by several parties. Since September 27, 1995, which is the date of incorporation of RGMA, there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group.

Assessing Joint Control of an Arrangement and the Type of Arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Group assessed that it has joint control in all its joint arrangements by virtue of a contractual agreement with other shareholders. The Group's joint ventures have separate legal entity and its stockholders have rights to its net assets.

The carrying value of the investments in joint venture amounted to ₱16.64 million as at June 30, 2014 and December 31, 2013 (see Note 13).

Operating Leases - Group as Lessee. The Group has entered into various lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessors retain all the significant risks and rewards of ownership of the properties and thus accounts for the contracts as operating leases.

Rental expense charged to operations amounted to ₱420.38 million and ₱456.50 million as of June 30, 2014 and 2013, respectively (see Note 29).

Tax Credits. The Parent Company has determined that tax credits earned from airing of government commercials and advertisements are recognized based on the Parent Company's forecast of importation for the next twelve (12) months from reporting period in which the tax credits will be applied and when the application is reasonably certain.

Classification of Leave Entitlements as Current or Noncurrent. The Group assesses the classification of its leave entitlements as either current or noncurrent based on the historical experience of the outstanding leave availed.

Other employee benefits classified as current under "Trade payables and other current liabilities" account in the consolidated statements of financial position amounted to ₱12.27 million and ₱17.26 million as at June 30, 2014 and December 31, 2013, respectively, while other employee benefits classified as noncurrent amounted to ₱273.53 million and ₱264.37 million as at June 30, 2014 and December 31, 2013, respectively.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimating Allowance for Doubtful Accounts. Provisions are made for specific and groups of billed accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances that affect the collectability of the accounts. The review is accomplished using a combination of specific and collective assessment. The factors considered in specific and collective impairment assessments include, but not limited to, the length of the Group's relationship with customers, customers' current credit status and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for doubtful accounts would increase the recorded general and administrative expenses and decrease current assets.

Trade and other receivables, net of allowance for doubtful accounts, amounted to ₱3,064.08 million and ₱3,521.43 million as at June 30, 2014 and December 31, 2013, respectively (see Note 9).

Amortization of Program and Other Rights. The Group estimates the amortization of program and other rights with finite lives based on the manner and pattern of usage of the acquired rights. The Group estimates that programs are generally more marketable in their initial airing as compared to the succeeding airings. In addition, estimation of the amortization of program and other rights is based on the Group's experience with such rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Program and other rights usage amounted to ₱315.79 million and ₱269.19 million as of June 30, 2014 and 2013, respectively (see Note 25). Program and other rights, net of accumulated impairment loss, amounted to ₱1,285.45 million and ₱1,209.23 million as at June 30, 2014 and December 31, 2013, respectively (see Note 10).

Impairment of AFS Financial Assets. The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as a decline of 20% or more below of the original cost of investment, and "prolonged" as period longer than twelve (12) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

The carrying value of AFS financial assets amounted to ₱128.78 million and ₱135.55 million as at June 30, 2014 and December 31, 2013, respectively (see Note 12).

Estimating Allowance for Inventory Losses. The Group provides allowance for inventory losses whenever the net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation of the inventories.

The carrying value of materials and supplies inventory amounted to ₱47.52 million and ₱58.58 million as at June 30, 2014 and December 31, 2013, respectively (see Note 11). No provisions for inventory losses were reported as of June 30, 2014 and 2013, respectively.

Estimating Useful Lives of Property and Equipment, Software Costs and Investment Properties. The Group estimates the useful lives of property and equipment, software costs and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, software costs and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment, software costs and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment, software costs and investment properties would increase the recorded general and administrative expenses and decrease noncurrent assets.

There has been no change in the Group's estimate of useful lives of its property and equipment, software costs and investment properties in as of June 30, 2014 and December 31, 2013.

Revaluation of Land. The Group engages an independent appraiser to determine the fair value of the land used in operations. Fair value is determined by reference to market-based evidence adjusted based on certain elements of comparison. The fair value amount would differ if the Group made different judgments and estimates or utilized a different basis for determining fair value.

Valuations from an independent appraiser are performed every five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The revalued amount of land amounted to ₱1,805.25 million and ₱1,805.30 million as at June 30, 2014 and December 31, 2013, respectively (see Note 15).

Impairment of Nonfinancial Assets. For prepaid production costs, tax credits, investments and advances, property and equipment, investment properties and software costs, impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs to sell and the asset's value in use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

There were no provision for impairment loss on the advances to joint venture as of June 30, 2014 and 2013.

The balance of nonfinancial assets as at June 30, 2014 and December 31, 2013 follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Property and equipment (see Note 14)	**3,509,130,919**	3,589,651,781
Prepaid production costs (see Note 11)	**158,267,361**	84,826,707
Investments and advances (see Note 13)	**140,073,939**	139,463,938
Tax credits (see Note 11)	**98,963,604**	117,846,102
Investment properties (see Note 16)	**66,425,896**	60,532,209
Software costs (see Note 17)	**27,864,639**	37,654,045
	4,000,726,358	4,029,974,782

Taxes. The Group has exposures to the tax rules and regulations in the Philippines and significant judgment is involved in determining the provision for these tax exposures. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes are due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such difference will impact profit or loss in the period in which such determination is made.

Estimating Realizability of Deferred Tax Assets. The Group reviews the carrying amounts of deferred tax assets on nondeductible temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Based on the Group's assessment, not all nondeductible temporary difference and carryforward benefits of NOLCO and excess MCIT over RCIT will be realized.

Pension Benefits. The determination of the Group's obligation and cost of pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26 and include, among others, discount rate and salary increase rate. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Pension liability amounted to ₱670.83 million and ₱605.25 million as at June 30, 2014 and December 31, 2013, respectively.

Fair Value of Financial Assets and Liabilities. The Group carries AFS financial assets at fair value, which requires extensive use of accounting estimates and judgments. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). However, the timing and amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in the fair value of AFS financial assets would affect the statements of comprehensive income. The fair value of financial assets and liabilities are enumerated in Note 32.

5. Seasonality or Cyclicality of Interim Operations

The Company's operations are not generally affected by any seasonality or cyclicality.

6. Nature and Amount of Changes in Estimates

2013 figures were restated to conform to the current period's presentation.

7. Segment Information

Business Segments

For management purposes, the Group is organized into business units based on its products and services and has three reportable segments, as follows:

- The television and radio segment, which engages in television and radio broadcasting activities and which generates revenue from sale of national and regional advertising time.

- The international subscription segment which engages in subscription arrangements with international cable companies.

- Other businesses which include movie production, consumer products and other services.

The Executive Committee, the chief operating decision maker, and Management monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income or loss and is measured consistently with net income or loss in the consolidated financial statements. On a consolidated basis, the Group's performance is evaluated based on consolidated net income for the year.

Geographical Segments

The Group operates in two major geographical segments. In the Philippines, its home country, the Group is involved in television operations. In the United States and in other locations (which include Middle East, Europe, Australia, Canada, Guam, Singapore, Hongkong and Japan), the Group ties up with cable providers to bring television programming outside the Philippines.

The Group's revenues are mostly generated in the Philippines, which is the Group's country of domicile. Revenues from external customers attributed to foreign countries from which the Group derives revenue are individually immaterial to the consolidated financial statements.

Noncurrent assets consisting of property and equipment, land at revalued amounts, investment properties and intangible assets which are all located in the Philippines.

The Group does not have a single external customer whose revenue amounts to 10% or more of the Group's revenues.

Inter-segment Transactions

Segment revenues, segment expenses and segment results include transfers among business segments and among geographical segments. The transfers are accounted for at competitive market prices charged to unrelated customers for similar services. Such transfers are eliminated upon consolidation.

Measurement Basis

The amount of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in the consolidated financial statements, which is in accordance with PFRS.

Please refer to Exhibit 1.

8. Cash and Cash Equivalents

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Cash on hand and in banks	**1,695,966,047**	1,465,684,717
Short-term placements	**345,895,950**	283,946,479
	2,041,861,997	1,749,631,196

Cash in banks earn interest at the respective bank deposit rates. Short-term placements are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term placement rates.

Short-term investments amounting to ₱7.87 million as at December 31, 2013, with original maturities of more than three months to one year are shown separately in the consolidated statement of financial position.

Interest income earned from bank deposits and short-term investments amounted to ₱8.28 million and ₱8.22 million as of June 30, 2014 and 2013, respectively.

9. Trade and Other Receivables

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Trade:		
Television and radio airtime	**1,987,790,032**	2,669,278,916
Subscription receivable	**918,626,661**	771,491,924
Others	**35,032,776**	146,927,889
Nontrade:		
Advances to suppliers	**296,470,465**	133,338,872
Advances to officers and employees	**5,424,491**	4,623,714
Others	**94,711,644**	69,747,905
	3,338,056,069	3,795,409,220
Less allowance for doubtful accounts	**273,978,777**	273,978,777
	3,064,077,292	3,521,430,443

Trade Receivables

Television and Radio Airtime. Television and radio airtime receivables are noninterest-bearing and are generally on a 60–90 days terms upon receipt of invoice by the customer. Invoicing normally takes around 30 days from airing.

Television and radio airtime receivables include unbilled airtime receivables, arising when advertisements have been aired during the year but billing or acceptance by the customer has been delayed due to time lag in completing all required documents.

Television and radio airtime receivables are presented net of applicable payments received before broadcast amounting to ₱230.23 million as of December 31, 2013 since a right of offset exists between the advance payments and the regular trade receivables with credit terms.

Subscriptions Receivable. Subscriptions receivable include receivables pertaining to revenue generated from international channel subscriptions and advertisements. These are noninterest-bearing and normally collected within 30–60 days.

Other Trade Receivables. Other trade receivables are noninterest-bearing and are generally on 60-90 day terms upon receipt of invoice by the customers.

Nontrade Receivables

Advances to Suppliers. Advances to suppliers are non-interest bearing and are generally applied to acquisition of inventories and fixed assets and availment of services and others within the next financial year.

Advances to Officers and Employees and Other Nontrade Receivables. Advances to officers and employees and other nontrade receivables are noninterest-bearing and are normally collected within the next financial year.

Allowance for Doubtful Accounts

Television and radio airtime and other receivables amounting to ₱273.99 million are impaired as of June 30, 2014 and December 31, 2013.

The allowance for doubtful accounts for television and radio airtime and other receivables as of June 30, 2014 and December 31, 2013 are results of specific and collective impairment assessments performed by the Group as follows:

Individually impaired	260,570,950
Collectively impaired	13,407,827
	273,978,777

As of June 30, 2014 and December 31, 2013, the aging analysis of receivables that were not impaired follows:

	June 30, 2014 (Unaudited)				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade *	Total
Neither past due nor impaired	**564,442,652**	**610,540,220**	**14,973,332**	**44,030,370**	**1,233,986,574**
Past due but not impaired:					**-**
< 30 days	**199,621,348**	**56,385,796**	**2,369,523**	**8,665,611**	**267,042,278**
31-60 days	**97,883,996**	**47,485,135**	**1,587,897**	**4,249,168**	**151,206,196**
61-90 days	**68,510,465**	**35,064,423**	**1,365,851**	**2,974,056**	**107,914,795**
91-180 days	**170,164,101**	**72,892,217**	**4,172,589**	**7,386,864**	**254,615,771**
181-365 days	**213,367,716**	**65,078,222**	**892,311**	**9,262,344**	**288,600,593**
Over 1 year	**403,927,184**	**31,180,648**	**5,565,066**	**23,567,722**	**464,240,620**
	1,717,917,462	**918,626,661**	**30,926,569**	**100,136,135**	**2,767,606,827**

** Excluding advances to suppliers amounting to P296.47 million as of June 30, 2014.*

	December 31, 2013 (Audited)				
	Trade				
	Television and Radio Airtime	Subscriptions	Others	Nontrade *	Total
Neither past due nor impaired	1,304,687,771	479,659,930	88,622,679	40,259,963	1,913,230,343
Past due but not impaired:					-
< 30 days	259,644,010	45,725,346	12,159,223	4,556,520	322,085,099
31-60 days	166,885,464	48,074,195	5,356,215	2,928,691	223,244,565
61-90 days	96,856,996	39,281,104	1,994,122	1,699,754	139,831,976
91-180 days	100,465,459	7,522,412	3,109,553	1,763,079	112,860,503
181-365 days	310,130,562	92,077,652	4,835,945	5,442,514	412,486,673
Over one year	160,736,084	59,151,285	26,743,945	17,721,098	264,352,412
	2,399,406,346	771,491,924	142,821,682	74,371,619	3,388,091,571

** Excluding advances to suppliers amounting to P133.34 million as of December 31, 2013.*

Trade and other receivables that were not impaired are assessed by the management of the Group as good and collectible.

The Group’s unbilled receivables amounted to ₱126.51 million and ₱27.28 million as of June 30, 2014 and December 31, 2013, respectively. These are included in trade receivables as “neither past due nor impaired” but with age of 31–60 days from date of airing.

10. Program and Other Rights

The movements in program rights are as follows:

	June 30, 2014 (Unaudited)		
	Program and Film Rights	Story / Format Rights	Total
Cost:			
Balance at beginning of period	**1,195,316,111**	**16,615,430**	**1,211,931,541**
Additions	**392,002,652**	**-**	**392,002,652**
Program usage (see Note 25)	**(314,809,710)**	**(975,702)**	**(315,785,412)**
Balance at end of period	**1,272,509,053**	**15,639,728**	**1,288,148,781**
Accumulated impairment in value -			
Balance at beginning and end of period	**2,702,260**	**-**	**2,702,260**
	1,269,806,793	**15,639,728**	**1,285,446,521**

	December 31, 2013 (Audited)		
	Program and Film Rights	Story / Format Rights	Total
Cost:			
Balance at beginning of period	1,161,376,706	30,466,224	1,191,842,930
Additions	538,361,476	47,084,826	585,446,302
Program usage	(504,422,071)	(60,935,620)	(565,357,691)
Balance at end of period	1,195,316,111	16,615,430	1,211,931,541
Accumulated impairment in value -			
Balance at beginning and end of period	2,702,260	-	2,702,260
	1,192,613,851	16,615,430	1,209,229,281

No impairment loss on program rights was recognized as of June 30, 2014 and 2013, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Prepaid expenses	**193,393,331**	74,805,709
Creditable withholding taxes	**165,134,660**	150,711,335
Prepaid production costs	**158,267,361**	84,826,707
Input VAT	**131,367,100**	148,282,430
Tax credits	**98,963,604**	117,846,102
Materials and supplies inventory - net	**47,516,959**	58,577,911
Others	**43,610**	43,610
	794,686,625	635,093,804

Tax credits represent claims of the Parent Company from the government arising from airing of government commercials and advertisements. The Parent Company expects to utilize these tax credits within the next financial year.

Prepaid production represents cost paid in advance prior to the airing of the programs or episodes. The Group expects to air the related programs or episodes within the next financial year.

Prepaid expenses include prepayments for rentals, insurance and other expenses.

12. Available-for-Sale Financial Assets

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Investment in shares of stock:		
Unquoted	**123,885,548**	130,662,548
Quoted	**4,890,000**	4,890,000
	128,775,548	135,552,548

The fair value of unquoted shares is not reasonably determinable due to the unpredictable nature of future cash flows and lack of other suitable methods in arriving at fair value.

The movements in this account are as follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Cost:		
Balance at beginning of period	**137,659,648**	107,397,148
Additions (Disposal)	**(6,772,000)**	31,502,800
Net change in the fair value of AFS financial assets	**(5,000)**	(1,240,300)
Balance at end of period	**130,882,648**	137,659,648
Allowance for decline in value:		
Balance at beginning of period	**2,107,100**	1,053,550
Impairment loss	**-**	1,053,550
Balance at end of period	**2,107,100**	2,107,100
	128,775,548	135,552,548

The net unrealized gain on AFS financial assets are deferred and presented separately under the equity section of the consolidated statements of financial position. No portion of the net unrealized gain on AFS financial assets was transferred to profit in loss as at June 30, 2014 and December 31, 2013.

13. Investments and Advances

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Investments in an associate and interests in joint ventures accounted for in equity method	**54,988,568**	54,988,568
Permanent advances in an associate and joint ventures (see Note 23)	**85,085,370**	84,475,370
	140,073,938	139,463,938

The movements in the said amounts are as follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Investments in an associate and joint ventures accounted for under the equity method		
Acquisition cost :		
Balance at beginning of period	**131,722,056**	119,722,056
Additional investment during the year	**610,000**	12,000,000
Balance at end of period	**132,332,056**	131,722,056
Accumulated equity in net losses:		
Balance at beginning of period	**(76,733,488)**	(71,371,437)
Equity in net lossduring the year	**-**	(5,362,051)
Balance at end of period	**(76,733,488)**	(76,733,488)
	55,598,568	54,988,568
Advances to an associate and joint ventures - Balance at beginning and end of period	**84,475,370**	84,475,370
Total investments and advances	**140,073,938**	139,463,938

The ownership interests in an associate and joint ventures accounted for under the equity method consist of the following:

	Principal Activities	Percentage of Ownership
Associate -		
Mont-Aire Realty and Development Corporation (Mont-Aire)	Real Estate	49.0
Joint Ventures:		
INQ7 Interactive, Inc. (INQ7)	Internet Publishing	50.0
Gamespan Incorporated	Recreational Gaming	50.0
PEP	Internet Publishing	50.0

The carrying values of investments accounted for under the equity method and the related advances are as follows:

	June 30, 2014 (Unaudited)		
	Investments	**Advances** (see Note 23)	**Total**
Associate - Mont-Aire	**38,350,619**	**85,085,370**	**123,435,989**
Joint ventures:			
Gamespan	**8,813,159**	**-**	**8,813,159**
PEP	**7,824,790**	-	**7,824,790**
	54,988,568	**85,085,370**	**140,073,938**

	December 31, 2013 (Audited)		
	Investments	Advances (see Note 23)	Total
Associate - Mont-Aire	38,350,619	84,475,370	122,825,989
Joint ventures:			
Gamespan	8,813,159	-	8,813,159
PEP	7,824,790	-	7,824,790
	54,988,568	84,475,370	139,463,938

PEP

On November 15, 2013, the Group, through GNMI, converted its cash advances to PEP amounting to ₱12.00 million to additional investment in joint venture. As a result, the Group recognized previous years' accumulated share in net losses amounting to ₱3.86 million and its share in net losses amounting to ₱0.31 million in 2013.

Gamespan

On March 22, 2012, the Group, through GNMI, executed a Shareholder's Agreement with MJC for the establishment of Gamespan, a joint venture corporation. The joint venture was organized to operate and manage the hardware and software owned by MJC, set-up new media infrastructure for offering and taking bets in horse racing and other sports.

INQ7

Losses of INQ7 recognized under the equity method in excess of the Group's interest were applied against its advances to the Parent Company. INQ7 ceased operations in 2007. In 2013, INQ7 submitted a request to liquidate its assets to SEC.

All associates and joint ventures are not listed in any public stock exchanges.

The table below shows the condensed financial information of Mont-Aire as at June 30, 2014 and December 31, 2013:

Current assets	₱53,469,276
Noncurrent assets	107,750,283
	161,219,559
Current liabilities	1,269,154
Noncurrent liabilities	81,683,836
	82,952,990
Net assets	78,266,569
Proportion of the Company's ownership	49%
Carrying amount of investment	₱38,350,619

As at June 30, 2014 and December 31, 2013, the Group has no share in the result of operations of Mont-Aire since it ceased commercial operation in 2009.

14. Property and Equipment at Cost

Please refer to Exhibit 2 for the rollforward analysis of property and equipment at cost.

The amount of depreciation expense includes amortization of previously capitalized borrowing costs amounting to ₱10.08 million each year. No borrowing costs were capitalized as at June 30, 2014 and December 31, 2013.

The cost of fully depreciated assets still used by the Group amounted to ₱4,050.18 million as at June 30, 2014 and December 31, 2013. The Group has no idle property and equipment as at June 30, 2014 and December 31, 2013.

Construction in progress pertains to the costs incurred for signal strengthening of transmitters nationwide and construction/improvement of studios and stations in the regions.

As at June 30, 2014 and December 31, 2013, no property and equipment have been pledged as collateral or security for any of the Group's liabilities.

15. Land at Revalued Amounts

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Cost :		
Balance at beginning of the period	**346,502,817**	346,502,817
Reclassification/Disposal	**(50,000)**	-
Balance at end of period	**346,452,817**	346,502,817
Revaluation increment:		
Balance at beginning of period	**1,458,797,234**	1,063,082,889
Additions	**-**	395,714,345
Balance at end of period	**1,458,797,234**	1,458,797,234
	1,805,250,051	1,805,300,051

Land used in operations was last appraised on December 17, 2013 by an independent firm of appraisers, Crown Property Appraisal Corporation, and is valued in terms of its highest and best use.

As at June 30, 2014 and December 31, 2013, no land has been pledged as collateral or security for any of the Company's liabilities and the Group has no restrictions on the realizability of its land and no contractual obligation to purchase, construct or develop land or for repairs, maintenance and enhancements.

16. Investment Properties

	June 30, 2014 (Unaudited)		
	Land and Improvements	**Buildings and Improvements**	**Total**
Cost::			
Balance at beginning of period	**31,287,881**	**75,154,820**	**106,442,701**
Additions	**-**	**7,400,465**	**7,400,465**
Balance at end of period	**31,287,881**	**82,555,285**	**113,843,166**
Accumulated depreciation:			
Balance at beginning of period	**-**	**44,106,443**	**44,106,443**
Depreciation during the period	**-**	**1,506,779**	**1,506,779**
Balance at end of period	**-**	**45,613,222**	**45,613,222**
Accumulated impairment in value -			
Balance at beginning and end of period	**-**	**1,804,049**	**1,804,049**
Balance at end of period	**31,287,881**	**35,138,014**	**66,425,895**

	December 31, 2013 (Audited)		
	Land and Improvements	Buildings and Improvements	Total
Cost:			
Balance at beginning of period	33,975,381	73,565,501	107,540,882
Additions	-	1,846,519	1,846,519
Write-off	(2,687,500)	(257,200)	(2,944,700)
Balance at end of period	31,287,881	75,154,820	106,442,701
Accumulated depreciation:			
Balance at beginning of period	-	40,744,304	40,744,304
Depreciation during the period	-	3,362,139	3,362,139
Balance at end of period	-	44,106,443	44,106,443
Accumulated impairment in value:			
Balance at beginning of period	-	2,045,173	2,045,173
Write-off	-	(241,124)	(241,124)
Balance at end of period	-	1,804,049	1,804,049
Balance at end of period	31,287,881	29,244,328	60,532,209

In 2013, the Parent Company wrote off some of its investment properties with carrying value of ₱2.70 million due to dispute in ownership.

The fair market value of investment properties owned by the Group amounted to ₱133.67 million as at December 31, 2013, as determined by independent appraisers, Crown Property Appraisal Corporation, Philippine Appraisal Co. Inc. and Cuervo Appraisers, Inc.

The fair market value of investment properties owned by GMPI and Scenarios amounted to ₱21.09 million as at December 31, 2012, while the rest of the investment properties owned by the Parent Company and Alta amounted to ₱102.13 million as at December 31, 2005, as determined by independent appraisers.

The fair value is categorized under Level 3 of the fair value hierarchy and represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in accordance with International Valuation Standards.

While fair values of the majority of investment properties were not determined as at June 30, 2014, the Group's management believes that there were no conditions present in 2012 that would significantly reduce the fair value of the investment properties from that determined in 2005.

As at June 30, 2014 and December 31, 2013, no investment properties have been pledged as collateral or security for any of the Group's liabilities and the Group has no restriction on the realizability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

17. Other Noncurrent Assets

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Software costs	**27,864,639**	37,654,045
Deferred input VAT	**27,637,271**	31,901,813
Investment in stocks	**26,432,472**	26,432,472
Refundable deposits (see Notes 31 and 32)	**17,464,826**	15,671,300
Guarantee deposits	**16,207,281**	16,871,190
Investments in artworks	**10,406,255**	10,406,255
Others	**1,747,483**	3,089,761
	127,760,227	142,026,836

The movements in software costs follow:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Cost:		
Balance at beginning of period	**234,479,164**	222,169,322
Additions	**3,158,704**	12,309,842
Balance at end of period	**237,637,868**	234,479,164
Accumulated amortization:		
Balance at beginning of period	**196,825,119**	165,829,275
Amortization during the period (see Notes 26)	**12,948,110**	30,995,844
Balance at end of period	**209,773,229**	196,825,119
	27,864,639	37,654,045

X-Play

As discussed in Note 4, the Group, through GNMI's BOD, announced its decision to dispose of its shareholdings in X-Play on January 1, 2011, and classified its investment in X-Play as asset held for sale. The carrying value of asset held for sale previously classified as interest and advances to joint venture amounted to ₱26.43 million.

In connection with the planned disposal of X-Play, in March 2013, GNMI and IPE extended until June 30, 2013 the exercise period of the option agreement which both companies entered on October 19, 2011 whereby IPE grants GNMI the option to sell all, but not less than all, of shares in stock of X-Play for a purchase price of ₱75.00 million in cash. Also, on March 23, 2012, GNMI agreed to subscribe to ₱130.00 million worth of shares of IPE's authorized but unissued capital stock to be offered on its Initial Public Offering in exchange for GNMI shares of stock in X-Play at a subscription price per share equivalent to the offering price.

As at June 30, 2014, the sale of investment in X-Play has not materialized. The Group reassessed the classification of investment in X-Play and reclassified it under "Other Noncurrent Assets" account in the Group's consolidated statement of financial position.

18. Short-term Loans

The Parent Company obtained unsecured short-term peso and USD denominated loans from various local banks for the payment of the dividends declared during the year. Details of the short-term loans are as follows:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Balance at beginning of period	**1,106,875,000**	1,700,000,000
Additions	**1,893,750,000**	1,825,000,000
Payments	**(806,600,000)**	(2,500,000,000)
Unrealized foreign currency loss (gain)	**(17,075,000)**	81,875,000
Balance at end of period	**2,176,950,000**	1,106,875,000

The interest rate of the short-term loan ranges from 1.73% to 5.00% in 2014 and 2013.

19. **Trade Payables and Other Current Liabilities**

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Trade payables	**408,583,113**	397,999,260
Payable to government agencies	**614,656,566**	513,380,680
Customers' deposits	**73,520,371**	447,112,904
Accrued expenses:		
Production costs	**161,638,551**	173,225,937
Payroll and talent fees	**156,576,674**	115,828,416
Commissions	**11,128,641**	21,080,670
Utilities and others	**78,799,436**	44,676,360
Others	**30,179,684**	68,137,281
	1,535,083,036	1,781,441,508

Trade payables to suppliers are noninterest-bearing and are normally settled on terms ranging from 7-30 days.

Payable to government agencies is remitted within 30 days after reporting period.

Customers' deposits include unimplemented payments received before broadcast from customers who have no outstanding trade receivables from which advance payments can be offset. These deposits will be settled and implemented within the next financial year.

Accrued expenses and other payables are noninterest-bearing and are generally settled within the next financial year.

20. **Obligations for Program and Other Rights**

This account consists of:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Current obligation for program rights	**131,649,996**	141,096,456
Noncurrent obligation for program rights	**19,954,824**	33,330,130
	151,604,820	174,426,586

Obligations for program and other rights represent liabilities to foreign and local film suppliers for program and other rights purchased by the Group. The current portion of the obligations for program rights is noninterest-bearing and is generally payable in equal monthly or quarterly installments. The amounts presented in the consolidated statements of financial position as at June 30, 2014 and December 31, 2013 represent the nominal amounts of the obligations which are expected to be settled within the next 12 months.

The noncurrent portion of obligations for program rights is payable in four years and is presented at its present value using the 4.03% discount rate in the consolidated statement of financial position as at June 30, 2014 and December 31, 2013.

21. **Material Events**

A. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

As of June 30, 2014, there are no known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

B. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

The 2014 Capital Expenditure budget of the parent company amounts to ₱1,065.00 million. This will be financed from internally-generated funds.

C. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

GMA Network's results of operations depend largely on the ability to sell airtime for advertising. The Company's business may be affected by the general condition of the economy of the Philippines.

D. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration or an obligation.

As of June 30, 2014, there are no events which may trigger a direct or contingent financial obligation that is material to the Company.

E. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

As of June 30, 2014, there are no significant elements of income or loss that did arise from the issuer's continuing operations.

F. Any seasonal aspects that had a material effect on the financial condition or results of operations.

There are no seasonal aspects that had a material effect on the financial condition or results of operations.

G. Any material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

There are no material events that were unusual because of their nature, size or incidents affecting assets, liabilities, equity, net income, or cash flows.

H. Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

There were no material events, subsequent to the end of interim period that have not been reflected in the financial statements for the interim period.

22. **Equity**

Capital Stock

There were no movements in capital stock as of June 30, 2014 and December 31, 2013 with composition as follows:

	Number of Preferred Shares	Number of Common Shares
Authorized - P0.20 par value per preferred shares/ P1.00 par value per common shares	7,500,000,000	5,000,000,000
Subscribed and issued at beginning and end of period	7,500,000,000	3,364,692,000
Treasury shares	492,816	3,645,000
Underlying shares of acquired PDRs	-	750,000

The preferred shares are of equal rank, preference and priority and are identical in all respect regardless of series. Preferred shares are participating at the rate of one fifth (1/5) of the dividend paid to common shares, the rate of which is adjusted proportionately by the Parent Company's BOD consequent to any stock split or stock dividend declaration affecting the common shares and preferred shares. Preferred shares are convertible at the option of the shareholders at the ratio of five (5) preferred shares to one (1) common share, based on par value.

Preferred shares enjoy priority over common shares in the distribution of assets of the Parent Company in the event of dissolution and liquidation, at such rates, terms and conditions as the BOD may determine. Each preferred share is entitled to one vote and shall have the same voting rights as the common shares.

The Parent Company's BOD may specify other terms and conditions, qualifications, restrictions and privileges of the preferred shares or series/classes thereof, insofar as such terms, conditions, qualifications, restrictions and privileges are not inconsistent with the articles of incorporation and any applicable law or regulation.

The following summarizes the information on the Parent Company's registration of securities with the SEC which was approved on June 20, 2007, as required by Securities Regulation Code Rule 68, As Amended (2011):

Securities	Authorized and issued shares	Issue/Offer Price
Initial oublic offering	91,346,000	8.50
Underlying common shared of PDRs	945,432,000	8.50
Over-allotment common shares	13,701,000	8.50
Common shares covering employee stock option plan	57,000,000	8.50
PDRs	945,432,000	8.50

Retained Earnings

The retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱34.27 million as at June 30, 2014 and December 31, 2013, representing the cost of shares held in treasury amounting to ₱28.48 million and underlying shares of the acquired PDRs amounting to ₱5.79 million.

Consolidated retained earnings include undeclared retained earnings of subsidiaries amounting to ₱100.08 million as at December 31, 2013. The Parent Company's retained earnings available for dividend declaration, computed based on the guidelines provided in Securities Regulation Code Rule 68, As Amended (2011), amounted to ₱1,343.61 million as at December 31, 2013.

The BOD of the Parent Company approved the declaration of the following cash dividends in 2014, 2013 and 2012:

Year	Declaration Date	Record Date	Cash Dividend Per Share	Total Cash Dividend Declared
2014	**April 2, 2014**	**April 24, 2014**	**P0.27**	**1,312,253,578**
2013	March 21, 2013	April 17, 2013	P0.25	1,215,049,609
2012	March 28, 2012	April 16, 2012	P0.40	1,944,079,375
	August 1, 2012	August 22, 2012	0.26	1,264,794,293
				3,208,873,668

23. **Related Party Disclosures**

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

Transactions with related parties are as follows:

Related Party	Category	Year	Amount/ Volume of Transactions	Receivables (Payables)	Terms	Conditions
Associate -						
Mont-Aire	Noninterest-bearing advances	**2014**	**610,000**	**85,085,370**	Noninterest-bearing	Unsecured; not impaired
		2013	-	84,475,370		
Common stockholders -						
GMA Kapuso Foundation, Inc.	Noninterest-bearing advances	**2014**	**104,750**	**-**	Noninterest-bearing	Unsecured; not impaired
		2013	30,700	562,901		
Other related party -						
Belo, Gozon, Elma Law	Legal, consulting and retainers' fees	**2014**	**7,649,008**	**-**	Noninterest-bearing	Unsecured; not impaired
		2013	1,803,872	-		

The advances made by the Parent Company to Mont-Aire in previous years are intended for future capital subscription.

Compensation of Key Management Personnel

The compensation of key management personnel of the Group, by benefit type, follows:

	June 30, 2014	June 30, 2013
Salaries and short-term benefits	**120,984,082**	126,621,763
Pension benefits	**17,080,839**	20,161,199
	138,064,921	146,782,962

Equity Investments of the Retirement Fund

The Group's retirement fund includes equity investments in GMA Network, Inc. and GMA PDRs amounting to ₱59.10 million and ₱408.77 million as at December 31, 2013, respectively.

24. Net Revenues

This account consists of:

	June 30, 2014	June 30, 2013
Television and radio airtime	**5,142,455,769**	6,172,129,080
Subscription income	**528,070,604**	471,224,136
Production and others	**96,688,189**	84,995,462
	5,767,214,562	6,728,348,678
Co-producers' shares	**(1,689,612)**	(3,326,227)
	5,765,524,950	6,725,022,451

25. Production Costs

This account consists of:

	June 30, 2014	June 30, 2013
Talent fees and production personnel costs (see Note 27)	**1,323,456,848**	1,478,075,829
Rental	**360,957,798**	408,101,906
Program rights usage	**315,785,412**	269,187,513
Tapes sets and production supplies	**226,569,827**	235,829,614
Facilities and production services	**168,438,250**	152,647,722
Depreciation (see Note 14)	**150,195,789**	143,434,805
Transportation and communication	**94,583,526**	106,185,466
	2,639,987,450	2,793,462,855

26. General and Administrative Expenses

This account consists of:

	June 30, 2014	June 30, 2013
Personnel costs (see Note 27)	**1,070,183,806**	1,082,364,618
Depreciation (see Notes 14 and 16)	**229,174,512**	198,314,279
Communication, light and water	**153,987,775**	145,972,614
Advertising	**157,957,849**	178,247,770
Taxes and licenses	**89,710,042**	72,304,310
Repairs and maintenance	**76,969,094**	101,634,463
Sales incentives	**67,130,374**	66,077,833
Research and surveys	**63,627,640**	72,134,613
Professional fees	**63,507,546**	84,726,499
Rental	**59,424,864**	48,400,886
Marketing expenses	**51,622,781**	75,752,845
Transportation and travel	**38,125,248**	38,594,013
Security services	**37,394,874**	34,875,416
Amortization of software costs (see Note 17)	**12,948,110**	16,313,700
Materials and supplies	**12,122,515**	11,606,907
Janitorial services	**10,829,549**	8,776,702
Insurance	**10,487,729**	10,464,517
Entertainment, amusement and recreation	**5,759,507**	5,237,438
Freight and handling	**6,122,378**	6,237,926
Dues and subscription	**5,970,585**	3,664,927
Others	**44,348,398**	30,570,834
	2,267,405,176	2,292,273,110

27. Personnel Costs

This account consists of:

	June 30, 2014	June 30, 2013
Talent fees	**1,248,471,226**	1,360,169,581
Salaries and wages	**821,826,098**	852,853,429
Employee benefits and allowances	**208,466,435**	249,427,897
Pension expense	**60,854,492**	45,120,733
Sick and vacation leaves expense	**54,022,403**	52,868,807
	2,393,640,654	2,560,440,447

The said amounts were distributed as follows:

	June 30, 2014	June 30, 2013
Production costs (see Note 25)	**1,323,456,848**	1,478,075,829
General and administrative expenses (see Note 26)	**1,070,183,806**	1,082,364,618
	2,393,640,654	2,560,440,447

28. **Others** - Net

This account consists of the following income (expenses):

	June 30, 2014	June 30, 2013
Gain on sale of property and equipment	**9,011,482**	6,845,736
Commissions	**4,594,396**	2,840,633
Income from mall shows	**2,709,948**	1,509,147
Rental	**2,809,601**	1,909,864
Merchandising income	**1,789,127**	1,102,285
Reversal of impairment loss	**457,058**	-
Sales of DVDs and integrated receiver-decoders	**118,849**	253,844
Others	**1,165,993**	272,103
	22,656,454	14,733,612

29. **Agreements**

Lease Agreements

Operating Lease Commitments - Group as Lessee. The Group entered into various lease agreements for the land, building, studio spaces, satellite and airtime that it presently occupies and uses for periods ranging from three to twenty five years. The leases are cancellable at the Group's option.

Also, in June 2012, the Parent Company agreed to extend its non-cancellable Co-production/Blocktime Rental Agreement with ZOE Broadcasting Network, Inc. (ZBN) for another seven (7) years from June 2012 to May 2019. On the first year of contract renewal, the Parent Company shall pay ZBN an amount equivalent to total payments from June 2011 to May 2012, subject to yearly escalation of 10.00%.

Total rental expense amounted to ₱420.38 million and ₱456.50 million as of June 30, 2014 and 2013, respectively (see Notes 25 and 26).

The future minimum rentals payable under the non-cancellable operating leases follow:

	June 30, 2014	June 30, 2013
	(In Millions)	
Within one year	**151.30**	137.55
After one year but not more than five years	**752.27**	702.19
More than five years	**-**	201.38
	903.57	1,041.12

Operating Lease - Group as Lessor. The Group also leases out certain properties for a period of one year, renewable annually. The leased out properties include investment properties and portion of land in regional stations. Total rental income amounted to ₱1.76 million and ₱1.22 million as of June 30, 2014 and 2013, respectively.

Subscription Agreements

The Parent Company entered into various subscription agreements with international cable providers for the airing of its programs and shows abroad. The agreements generally have terms of three to five years and are based on certain agreed service package rates.

Total subscription income amounted to ₱528.07 million and ₱471.22 million as of June 30, 2014 and 2013, respectively (see Note 24).

30. EPS Computation

The computation of basic EPS follows:

	June 30, 2014	June 30, 2013
Net income attributable to Equity Holders of Parent Company (a)	**579,613,188**	1,135,133,583
Less attributable to preferred shareholders	**178,873,901**	350,312,547
Net income attributable to common shareholders (b)	**400,739,287**	784,821,037
Common shares issued at the beginning of year	**3,364,692,000**	3,364,692,000
Treasury shares (see Note 22)	**(3,645,000)**	(3,645,000)
Underlying shares on the acquired PDRs (see Note 22)	**(750,000)**	(750,000)
Weighted average number of common shares for basic EPS (c)	**3,360,297,000**	3,360,297,000
Basic EPS (b/c)	**0.119**	0.234

The computation of diluted EPS follows:

	June 30, 2014	June 30, 2013
Net income attributable to Equity Holders of Parent Company (a)	**579,613,188**	1,135,133,583
Weighted average number of common shares	**3,360,297,000**	3,360,297,000
Effect of dilution - assumed conversion of preferred shares	**1,500,000,000**	1,500,000,000
Reacquired preferred shares	**(98,563)**	(98,563)
Weighted average number of common shares adjusted for the effect of dilution (d)	**4,860,198,437**	4,860,198,437
Diluted EPS (a/d)	**0.119**	0.234

31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents. The main purposes of these financial instruments include raising financing for the Group's operations and managing identified financial risks. The Group has other financial assets and liabilities such as trade and nontrade receivables (excluding advances to suppliers), refundable deposits, trade payables and other current liabilities (excluding payable to government agencies and customers' deposits), short-term loans, obligations for program and other right, dividends payable and other long-term employee benefits, which arise directly from its operations, and AFS financial assets. The main risks arising from the use of financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk.

The BOD reviews and approves the Group's objectives and policies.

Liquidity Risk. The Group is exposed to the possibility that adverse changes in the business environment and/or its operations would result in substantially higher working capital requirements and subsequently pose difficulty in financing the additional working capital.

The Group manages liquidity risk by using its cash and cash equivalents from operations to meet its short-term liquidity needs. The Group likewise regularly evaluates other financing instruments and arrangements to broaden the Group's range of financing sources.

The following tables summarize the maturity profile of the Group's financial assets used for liquidity risk management purposes and financial liabilities based on contractual undiscounted payments as at June 30, 2014 and December 31, 2013:

	June 30, 2014 (Unaudited)				
	On Demand	**> 3 Months**	**3 to 12 Months**	**More than 1 year**	**Total**
Cash and cash equivalents	**1,695,966,047**	**345,895,950**	**-**	**-**	**2,041,861,997**
Trade receivables:					
Television and radio airtime	**855,969,466**	**861,947,996**	**269,872,570**	**-**	**1,987,790,032**
Subscription	**204,215,510**	**714,411,151**	**-**	**-**	**918,626,661**
Others	**-**	**30,926,569**	**4,106,207**	**-**	**35,032,776**
Nontrade receivables					
Advances to officers and employees	**200**	**5,424,291**	**-**	**-**	**5,424,491**
Others	**43,190,786**	**51,520,858**	**-**	**-**	**94,711,644**
Refundable deposits	**-**	**-**	**-**	**17,464,826**	**17,464,826**
AFS financial assets	**-**	**-**	**-**	**128,775,548**	**128,775,548**
	2,799,342,009	**2,010,126,815**	**273,978,777**	**146,240,374**	**5,229,687,975**
Short-term loans	**-**		**2,176,950,000**	**-**	**2,176,950,000**
Trade payables and other current liabilities	**412,687,354**	**397,014,661**	**37,204,084**	**-**	**846,906,099**
Obligation for program and other rights	**-**	**124,284,786**	**7,365,210**	**19,954,824**	**151,604,820**
Dividends payable	**10,547,658**	**-**	**-**	**-**	**10,547,658**
Other long-term employee benefits	**-**	**-**	**-**	**273,534,058**	**273,534,058**
	423,235,012	**521,299,447**	**2,221,519,294**	**293,488,882**	**3,459,542,635**

** Excluding payable to government agencies and customers' deposits which are not considered as financial liabilities.*

	December 31, 2013 (Audited)				
	On Demand	> 3 Months	3 to 12 Months	More than 1 year	Total
Cash and cash equivalents	1,465,684,717	283,946,479	-	-	1,749,631,196
Short-term investments	-	-	7,874,002	-	7,874,002
Trade receivables:					
Television and radio airtime	668,189,101	1,731,217,245	269,872,570	-	2,669,278,916
Subscriptions	198,032,453	573,459,471	-	-	771,491,924
Others	-	106,138,117	9,939,620	30,850,152	146,927,889
Nontrade receivables					
Advances to officers and employees	200	4,623,514	-	-	4,623,714
Others	26,626,245	43,121,660	-	-	69,747,905
Refundable deposits	-	-	-	15,671,300	15,671,300
AFS financial assets	-	-	-	135,552,548	135,552,548
	2,358,532,716	2,742,506,486	287,686,192	182,074,000	5,570,799,394
Short-term loans		1,106,875,000	-	-	1,106,875,000
Trade payables and other current liabilities	438,449,654	342,875,920	39,622,350	-	820,947,924
Obligation for program and other rights	-	141,096,456	-	33,330,130	174,426,586
Dividends payable	8,868,629	-	-	-	8,868,629
Other long-term employee benefits	-	-	-	264,368,057	264,368,057
	447,318,283	1,590,847,376	39,622,350	297,698,187	2,375,486,196

** Excluding payable to government agencies and customers' deposits which are not considered as financial liabilities.*

Foreign Currency Exchange Risk. Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to foreign currency exchange risk results from its business transactions denominated in foreign currencies. It is the Group's policy to ensure that capabilities exist for active but conservative management of its foreign currency exchange risk.

The Group's foreign currency-denominated monetary assets and liabilities are as follows:

	June 30, 2014 (Unaudited)		December 31, 2013 (Audited)	
Assets	*(in USD)*	*(in PhP)*	*(in USD)*	*(in PhP)*
Cash and cash equivalents	**7,770,696**	**339,190,880**	11,899,486	528,337,179
Trade receivables	**21,269,300**	**928,404,945**	17,960,923	797,465,114
	29,039,996	**1,267,595,825**	29,860,409	1,325,802,293
Liabilities				
Short-term loans	**43,000,000**	**1,876,950,000**	24,929,617	1,106,875,000
Trade payables	**788,601**	**34,422,434**	305,416	13,560,471
Obligations for program and other rights	**2,148,520**	**93,782,898**	1,467,993	65,178,889
	45,937,121	**2,005,155,332**	26,703,026	1,185,614,360

In translating the foreign-currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱43.65 and ₱44.40 to US$1.00, the Philippine peso to U.S. dollar exchange rates as at June 30, 2014 and December 31, 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in US$ exchange rate, with all other variables held constant, of the Group's income before income tax from reporting date up to next reporting date (due to changes in the fair value of monetary assets and liabilities). There is no impact on the Group's equity other than those already affecting profit or loss.

	Appreciation (Depreciation) of ₱	Effect on Income before Income Tax
June 30, 2014 (Unaudited)	**0.50**	**(₱2.11 million)**
	(0.50)	**2.11 million**
December 31, 2013 (Audited)	0.50	(0.39 million)
	(0.50)	0.39 million

Interest Rate Risk. Interest rate risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates is minimal and is attributed to cash and cash equivalents.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax from reporting date up to next reporting date. There is no impact on the Group's equity other than those already affecting profit or loss.

	Increase / (Decrease) in Basis Points	Effect on Income Before Income Taxes	
		June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Cash and cash equivalents	50	**25.44 million**	21.56 million
	(50)	**(25.44 million)**	(21.56 million)
Short-term loans	50	**(27.21 million)**	(13.84 million)
	(50)	**27.21 million**	13.84 million

Credit Risk. Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history. The Group has an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of the instruments. The Group does not require any collateral for its financial assets, thus, maximum exposure to credit risk is equal to the carrying value of the financial instruments.

The table below shows the maximum exposure to credit risk for the components of the consolidated financial position as at June 30, 2014 and December 31, 2013:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Loans and receivables		
Cash and cash equivalents*	**2,035,079,473**	1,725,190,148
Short-term investments	**-**	7,874,002
Trade receivables		
Television and airtime	**1,717,917,462**	2,399,406,346
Subscriptions	**918,626,661**	771,491,924
Others	**30,926,569**	142,821,682
Nontrade receivables		
Advances to officers and employees	**5,424,491**	4,623,714
Others	**94,711,644**	69,747,905
Refundable deposits (under "Other noncurrent assets)	**17,464,826**	15,671,300
	4,820,151,126	5,136,827,021
AFS financial assets	**128,775,548**	135,552,548
	4,948,926,674	5,272,379,569

**Excluding cash on hand amounting to P6.78 million and P24.44 million as at June 30, 2014 and December 31,2013, respectively.*

The credit quality of financial assets is managed by the Group using high grade and standard grade as internal credit ratings.

- *High Grade.* Pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes prime financial institutions and companies and top 20 advertisers in terms of volume of sales, who consistently pay on or before the maturity date and related parties.

- *Standard Grade.* Pertains to a counterparty with tolerable delays (normally from 1 to 30 days) in settling its obligations to the Group. The delays may be due to cut-off differences. This includes customers outside the top 20 advertisers in terms of volume of sales, who consistently pay on maturity date and officers and employees.

As at June 30, 2014 and December 31, 2013, the credit quality of the Group's financial assets is as follows:

	June 30, 2014 (Unaudited)			
	Neither Past Due Nor Impaired		**Past Due but**	
	High Grade	**Standard Grade**	**not Impaired**	**Total**
Cash and cash equivalents *	**2,035,079,473**	**-**	**-**	**2,035,079,473**
Trade receivables:				**-**
Television and radio airtime	**269,872,570**	**294,570,082**	**1,153,474,810**	**1,717,917,462**
Subscription	**-**	**610,540,220**	**308,086,441**	**918,626,661**
Others	**4,106,207**	**10,867,125**	**15,953,237**	**30,926,569**
Nontrade receivables:				
Advances to officers and employees	**-**	**5,424,291**	**200**	**5,424,491**
Others	**-**	**38,606,079**	**56,105,565**	**94,711,644**
Refundable deposits	**17,464,826**	**-**	**-**	**17,464,826**
AFS financial assets	**128,775,548**	**-**	**-**	**128,775,548**
	2,455,298,624	**960,007,797**	**1,533,620,253**	**4,948,926,674**

** Excluding cash on hand amounting to P6.78 million as of June 30, 2014.*

	December 31, 2013 (Audited)			
	Neither Past Due Nor Impaired		Past Due but	
	High Grade	Standard Grade	not Impaired	Total
Cash and cash equivalents *	1,725,190,148	-	-	1,725,190,148
Short-term investments	7,874,002	-	-	7,874,002
Trade receivables:				-
Television and radio airtime	269,872,570	1,034,815,201	1,094,718,575	2,399,406,346
Subscription	-	479,659,930	291,831,994	771,491,924
Others	-	88,622,679	54,199,003	142,821,682
Nontrade receivables:				-
Advances to officers and employees	-	4,623,514	200	4,623,714
Others	-	35,636,449	34,111,456	69,747,905
Refundable deposits	15,671,300	-	-	15,671,300
AFS financial assets	135,552,548	-	-	135,552,548
	2,154,160,568	1,643,357,773	1,474,861,228	5,272,379,569

** Excluding cash on hand amounting to P24.44 million as of December 31, 2013.*

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, payoff existing debts, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for periods ended June 30, 2014 and December 31, 2013.

The Group monitors its capital gearing by measuring the ratio of interest-bearing loan to total equity. Interest-bearing loan includes all short-term and long-term loans. The Group's interest-bearing loans amounted to ₱2,176.95 million and ₱1,106.87 million as at June 30, 2014 and December 31, 2013, respectively. The Group's total equity attributable to equity holders of the Parent Company as at June 30, 2014 and December 31, 2013 amounted to ₱8,055.97 million and ₱8,788.42 million, respectively.

32. Financial Assets and Liabilities

The table below presents the carrying values and fair values of the Group's assets and liabilities, by category and by class, as at June 30, 2014 and December 31, 2013:

	June 30, 2014 (Unaudited)			
		Fair Value		
	Carrying Value	**Quoted Prices in Active Market (Level 1)**	**Significant Observable Input (Level 2)**	**Significant Unobservable Input (Level 2)**
Assets				
Loans and receivables -				
Refundable deposits (under "Other noncurrent assets)	**17,464,826**	**-**	**-**	**15,913,401**
Investment properties	**66,425,895**	**-**	**-**	**139,559,886**
	83,890,721	**-**	**-**	**155,473,287**

(Forward)

	June 30, 2014 (Unaudited)			
		Fair Value		
	Carrying Value	Quoted Prices in Active Market (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Input (Level 2)
Liabilities				
Other financial liabilities:				
Noncurrent portion of obligation for program and other rights	**19,954,824**	-	**-**	**20,752,964**
Other long-term employee benefits	**273,534,058**	-	**-**	**245,583,380**
	293,488,882	**-**	**-**	**266,336,344**

	December 31, 2013 (Audited)			
		Fair Value		
	Carrying Value	Quoted Prices in Active Market (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Input (Level 2)
Assets				
Loans and receivables -				
Refundable deposits (under "Other noncurrent assets)	15,671,300	-	-	14,885,845
Investment properties	60,532,209	-	-	133,666,200
	76,203,509	-	-	148,552,045
Liabilities				
Other financial liabilities:				
Noncurrent portion of obligation for program and other rights	33,330,130	-	-	34,663,247
Other long-term employee benefits	264,368,057	-	-	237,353,993
	297,698,187	-	-	272,017,240

The following financial instruments have carrying values that approximate fair values due to the relatively short-term maturity except for AFS financial assets and land at revalued amounts which are carried at fair value:

	June 30, 2014 (Unaudited)	December 31, 2013 (Audited)
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**2,035,079,473**	1,725,190,148
Short-term investments	**-**	7,874,002
Trade receivables:		
Television and radio airtime	**1,717,917,462**	2,399,406,346
Subscription	**918,626,661**	771,491,924
Others	**30,926,569**	142,821,682
Nontrade receivables:		
Advances to officers and employees	**5,424,491**	4,623,714
Others	**94,711,644**	69,747,905
	4,802,686,300	5,121,155,721
AFS financial assets	**128,775,548**	135,552,548
Land at revalued amounts	**1,805,250,051**	1,805,300,051
	6,736,711,899	7,062,008,320

(Forward)

	June 30, 2014	December 31, 2013
Financial Liabilities		
Other financial liabilities:		
Short-term loans	**2,176,950,000**	1,106,875,000
Trade payables and other current liabilities *	**846,906,099**	820,987,924
Current portion of obligation for program and other rights	**124,284,786**	141,096,456
Dividends payable	**8,777,848**	8,868,629
	3,156,918,733	2,077,828,009

** Excluding payable to government agencies and customers' deposits which are not considered as financial liabilities.*

The following methods and assumptions are used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and Cash Equivalents, Short-term Investments and Trade and Nontrade Receivables
The carrying values of cash and cash equivalents, short-term investments and trade and nontrade receivables are the approximate fair values primarily due to the relatively short-term maturity of these financial instruments.

Refundable Deposits
The fair value of refundable deposits is based on the present value of the future discounted cash flows. Discount rates used range from 0.84% to 2.14% in 2014 and 0.73% to 2.13% in 2013.

AFS Financial Assets
These are investments in quoted and unquoted shares of stock. The fair value of quoted shares is based on quoted market prices. For unquoted shares, the carrying amounts (cost less allowance for impairment losses) approximate fair values due to unpredictable nature of future cash flows and lack of other suitable methods for arriving at reliable fair value.

Investment Properties
The valuation for investment properties was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Estimated price per square meter based on this approach and unobservable input ranges from ₱900 to ₱118,945.

Land at Revalued Amount
The valuation for land was derived through market data approach based upon prices paid in actual market transactions. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property adjusted based on certain elements of comparison (e.g. market conditions, location, physical condition and amenities). Estimated price per square meter based on this approach and unobservable input ranges from ₱200 to ₱50,000.

Significant increases (decreases) in estimated price per square meter would result in a significantly higher (lower) fair value of the properties.

Trade Payables and Other Current Liabilities, Short-term Loans, Current Portion of Obligations for Program and Other Rights and Dividends Payable
The carrying values of trade payables and other current liabilities, short-term loans, current portion of obligations for program and other rights and dividends payable are the approximate fair values due to the relatively short-term maturity of these financial instruments.

Noncurrent Portion of Obligations for Program and Other Rights
The fair value of noncurrent portion of obligation for program and other rights is based on the present value of the future cash flows. Discount rates used is 2.10% in 2014 and 2013.

Other Long-term Employee Benefits

The fair value of other long-term employee benefits is based on the present value of the future cash flows. Discount rates used ranges from 0.73% to 5.13% in 2014 and 2013, respectively.

There were no transfer between levels of fair value measurement in 2014 and 2013.

33. **Causes for Material Changes in the Financial Statements**

Statements of Financial Position (June 30, 2014 - Unaudited vs. December 31, 2013 - Audited)

- Cash and cash equivalents increased by 17% to ₱2,041.86 million as the ₱845.36 million provided by operations exceeds the ₱288.20 million used in investing activities mainly from acquisitions of fixed assets and ₱239.32 million used in financing activities (net effect of cash dividends and loan payments and loan availments).
- Trade and other receivables decreased by 13% to ₱3,064.08 million as collections for the first semester of 2014 were more than the net sales generated.
- Program rights were up by 6% to ₱1,285.45 million as program rights usage was lower than acquisitions made.
- Obligation for program rights (current and noncurrent) likewise fell by 13% to ₱151.60 million as payments on account exceeds total acquisitions.
- Retained earnings also declined by 56% to ₱567.04 million directly attributed to dividend declaration which exceeds the net income generated for the six-month period.

34. **Other Notes to 2014 and 2013 Operations and Financials**

The key performance indicators that the Company monitors are the following:

	June 30, 2014	June 30, 2013
Revenues	**5,765,524,950**	6,725,022,451
Airtime revenues	**5,142,455,769**	6,172,129,080
Cash operating expenses	**4,199,288,802**	4,458,485,668
EBITDA	**1,565,923,547**	2,291,493,779
Net income before tax	**849,462,633**	1,639,563,262
Net income attributable to Parent Company	**579,613,188**	1,135,133,583

	June 30, 2014	June 30, 2013
Current ratio	**1.81**	1.88
Asset-to-Equity ratio	**1.61**	1.59
Debt-to-Equity ratio	**0.27**	0.28
Interest Rate Coverage ratio	**51.05**	49.83
EBITDA margin	**27%**	34%
Net income margin	**10%**	17%

GMA NETWORK, INC. AND SUBSIDIARIES
SEGMENTED RESULTS
FOR THE FIRST HALF ENDED JUNE 30, 2014 AND 2013 **EXHIBIT 1**

Business Segment Data

The following table shows revenue and expense information and certain asset and liability information regarding business segments for each of the period ended June 30:

	Television and Radio Airtime		International Subscriptions		Other Businesses		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
NET REVENUES										
External sales	5,142,455,769	6,172,129,080	528,070,604	471,224,136	94,998,577	81,669,235	-	-	5,765,524,950	6,725,022,451
Inter-segment sales	-	-		-	338,644,377	361,574,245	(338,644,377)	(361,574,245)	-	-
	5,142,455,769	6,172,129,080	528,070,604	471,224,136	433,642,954	443,243,480	(338,644,377)	(361,574,245)	5,765,524,950	6,725,022,451
NET INCOME										
Segment results	614,669,293	1,374,416,180	259,437,091	259,437,091	(15,974,060)	5,433,215	-	-	858,132,324	1,639,286,486
Interest expense and other financing charges	(16,538,084)	(32,829,583)	-	-	(100,657)	(73,534)	-	-	(16,638,741)	(32,903,117)
Foreign exchange gain (loss)	(21,893,367)	9,851,334	-	-	(1,075,687)	372,050	-	-	(22,969,054)	10,223,384
Interest income	7,905,480	7,587,221	-	-	376,170	635,676	-	-	8,281,650	8,222,897
Other income (expenses)	21,030,265	14,466,710	-	-	1,626,189	266,902	-	-	22,656,454	14,733,612
Income tax	(182,262,067)	(410,413,674)	(77,831,127)	(77,831,127)	(6,917,084)	(11,369,873)	-	-	(267,010,278)	(499,614,674)
	422,911,520	963,078,188	181,605,964	181,605,964	(22,065,129)	(4,735,564)	-	-	582,452,355	1,139,948,588
ASSETS AND LIABILITIES										
Assets										
Segment assets	11,590,044,513	11,853,912,336	1,429,455,976	1,076,192,974	773,818,585	864,361,330	(884,818,629)	(989,314,782)	12,908,500,445	12,805,151,858
Investment in an associate - at equity	38,350,619	38,350,619	-	-	16,637,949	10,000,000	-	-	54,988,568	48,350,619
Deferred tax assets	-	-	-	-	103,044,115	92,731,233	-	-	103,044,115	92,731,233
	11,628,395,132	11,892,262,955	1,429,455,976	1,076,192,974	893,500,649	967,092,563	(884,818,629)	(989,314,782)	13,066,533,128	12,946,233,710
Liabilities										
Segment liabilities	4,628,322,693	4,536,768,206	166,615,780	91,099,892	798,574,542	873,245,548	(659,250,710)	(761,737,583)	4,934,262,305	4,739,376,063
Deferred tax liabilities	36,809,046	128,162,617	-	-	-	-	-	-	36,809,046	128,162,617
	4,665,131,739	4,664,930,823	166,615,780	91,099,892	798,574,542	873,245,548	(659,250,710)	(761,737,583)	4,971,071,351	4,867,538,680

Geographical Segment Data

The following table shows revenue information regarding geographical segments for each of the period ended June 30:

	Local									
	Television and Radio Airtime		Other Businesses		International Subscriptions		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
NET REVENUES										
External sales	5,142,455,769	6,172,129,080	94,998,577	81,669,235	528,070,604	471,224,136	-	-	5,765,524,950	6,725,022,451
Inter-segment sales	-	-	338,644,377	361,574,245	-	-	(338,644,377)	(361,574,245)	-	-
	5,142,455,769	6,172,129,080	433,642,954	443,243,480	528,070,604	471,224,136	(338,644,377)	(361,574,245)	5,765,524,950	6,725,022,451

GMA NETWORK, INC. AND SUBSIDIARIES
ROLLFORWARD OF PROPERTY AND EQUIPMENT
AS OF JUNE 30, 2014 **EXHIBIT 2**

	DECEMBER 31, 2013	ADDITIONS	DISPOSALS	RECLASSIFICATIONS	JUNE 30, 2014
At cost					
Buidings and leasehold improvements	2,819,009,872	31,995,987	-	9,936,444	2,860,942,303
Broadcast equipment	5,757,631,807	175,600,945	(5,345,348)	134,202,462	6,062,089,866
Communication & mechanical equipment	924,212,961	49,616,313	(103,992)	27,706,503	1,001,431,785
Transportation equipment	472,743,730	33,522,649	(17,359,338)	1,745,967	490,653,008
Furniture, fixtures and equipment	190,002,542	2,398,189	(129,863)	849,619	193,120,487
	10,163,600,912	293,134,083	(22,938,541)	174,440,995	10,608,237,449
Accumulated Depreciation					
Buidings and leasehold improvements	(1,343,011,656)	(69,302,880)	-	-	(1,412,314,536)
Broadcast equipment	(4,277,597,672)	(217,109,219)	5,309,947	-	(4,489,396,944)
Communication & mechanical equipment	(720,853,931)	(46,245,277)	47,440	-	(767,051,768)
Transportation equipment	(276,411,552)	(42,711,309)	17,055,872	-	(302,066,989)
Furniture, fixtures and equipment	(161,382,108)	(2,494,837)	169,647	(71,803)	(163,779,101)
	(6,779,256,919)	(377,863,522)	22,582,906	(71,803)	(7,134,609,338)
Equipment for installation	194,677,727	3,139,173	-	(174,369,192)	23,447,708
Construction In Progress	10,630,061	1,425,039	-	-	12,055,100
	205,307,788	4,564,212	-	(174,369,192)	35,502,808
Net book value	**3,589,651,781**	**(80,165,227)**	**(355,635)**	**-**	**3,509,130,919**

GMA Network, Inc. and Subsidiaries
Financial Ratios **Exhibit 3**
As of June 30, 2014 and 2013

Ratios	Formula	In PhP	2014	2013
Current Ratio	Current Assets	7,186,072,435	1.81	1.88
	Current Liabilities	3,969,946,903		
	Interest-bearing loans and borrowings			
Net Debt-to-Equity Ratio	less cash and cash equivalents	135,088,003	0.02	0.07
	Total Equity	8,095,461,777		
Assets-to-Equity Ratio	Total Assets	13,066,533,128	1.61	1.59
	Total Equity	8,095,461,777		
Interest Rate Coverage Ratio	EBIT	849,462,633	51.05	49.83
	Interest expense	16,638,741		
Profitability Ratios				
Gross Profit Margin	Gross Profit	3,125,537,500	54%	58%
	Net Revenues	5,765,524,950		
Net Income Margin	Net Income	582,452,355	10%	17%
	Net Revenues	5,765,524,950		

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

Issuer: **GMA NETWORK, INC.**

By:

FELIPE S. YALONG
TREASURER, EVP & CHIEF FINANCE OFFICER

RONALDO P. MASTRILI
SVP – FINANCE & ICT

Date: August 14, 2014